



CHARITABLE REMAINDER ANNUITY TRUST

A charitable remainder annuity trust offers an opportunity to make a substantial gift to The University of Mississippi Foundation while providing fixed payments to you and/or others you choose for life or another period of time.

HOW IT WORKS

- With the assistance of your financial and legal advisors, you create a trust that is funded with cash, marketable securities, and/or other appropriate assets.
- You may serve as trustee of your remainder trust, or you may choose another individual or a professional trustee, such as a bank trust department or other financial services entity, to serve in this role. It is also possible for the President/CEO of the UM Foundation to serve as the trustee.
- You and/or others you designate receive fixed payments for life or for a specified period (up to 20 years).
- Trust payments equal a fixed dollar amount you determine when the trust is created. This amount must be at least five percent of the initial value of your gift.
- Because payments are based on the initial amount transferred to the trust, it is not possible to make additional contributions to this type of trust.

BENEFITS

- Beneficiaries receive fixed payments from the trust. This can result in a reliable source of increased income from low-yielding assets.
- Depending on how the trust assets are invested, a portion of the income received can be tax free or taxed at lower capital gains or dividend rates.
- In the year the gift is made, the value of the anticipated gift to the UM Foundation is considered a charitable contribution and is tax deductible. This deduction can be used to eliminate tax on up to 50 percent of adjusted gross income for cash gifts, 30 percent of adjusted gross income for gifts of long-term appreciated property. Unused tax deductions can serve to eliminate tax on a portion of your income for up to five future years.
- A charitable remainder annuity trust is a non-taxable trust and is not subject to tax on capital gains when appreciated assets are contributed to, and sold by, the trust. This can result in more assets being available to provide payments to trust beneficiaries.
- The assets in the trust are generally not subject to estate taxes.
- An annuity trust can provide for tax-free diversification of investment assets and the potential for their tax-free growth as well.
- Trust assets can be managed for you and/or other beneficiaries by professionals.
- You experience the satisfaction of making a gift to the UM Foundation that might not otherwise be possible.

FOR EXAMPLE

At age 75, you fund a charitable remainder annuity trust with \$100,000 cash that was yielding very little income. You will receive annual payments for life of \$7,000 (7 percent of the amount transferred). The charitable deduction is \$45,233 with potential income tax savings of \$15,831 based on a 35 percent tax rate.*

As an alternative, suppose you are planning to retire in ten years, but you would like additional income in the meantime as a “bridge” to your retirement years. In that case, you could place \$100,000 in an annuity trust paying 10 percent, or \$10,000, per year for the ten-year period. You would, over the ten-year period, receive pre-tax payments totaling the full amount transferred and enjoy an immediate charitable deduction of \$20,000. If the trust earns 7 percent on its investments, nearly \$60,000 will remain for use by the UM Foundation at the end of the ten-year period.

**Based on factors in effect at the time of printing and subject to change. The charitable portion of your gift will be determined as of the gift date.*

