



CHARITABLE REMAINDER UNITRUST

A charitable remainder unitrust is a way to make a significant gift to The University of Mississippi Foundation while providing for variable payments to one or more beneficiaries for life or for another period of time you determine.

HOW IT WORKS

- With the assistance of your financial and legal advisors, you create a trust that is funded with cash, marketable securities, real property, and/or other appropriate assets.
- You may serve as trustee of your unitrust 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. The President/CEO of the UM Foundation may also serve as the trustee.
- You may make additional contributions to your unitrust if desired.
- You and/or others you designate receive payments for life or a specified period (up to 20 years).
- Trust payments equal a fixed percentage of five percent or more of the fair market value of the trust assets as revalued annually.

BENEFITS

- Beneficiaries' payments from the trust can grow over time if trust assets increase in value, thereby providing an offset against cost of living increases.
- Depending on the investments of the unitrust, a portion of the income received can be tax free or taxed at lower capital gain or dividend rates.
- A unitrust can be an excellent way to make a gift while increasing income from low-yielding assets.
- 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.
- The unitrust 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 income to trust beneficiaries.
- The assets in the trust are generally not subject to estate taxes.
- A unitrust can provide for tax-free diversification of investment assets and the potential for their tax-free growth as well.
- Unitrust assets are managed by the Joint Committee on University Investments.
- You experience the satisfaction of making a gift to the UM Foundation that might not otherwise be possible.

FOR EXAMPLE

At age 65, you fund a 5 percent unitrust—payable to yourself—with long-term appreciated securities having a cost basis of \$50,000 and a market value of \$250,000. The securities yield just \$2,500 per year in dividends. Your annual payment from the trust for the first year is \$12,500. Future years' payments from the trust will change as the value of the trust increases or decreases. The charitable deduction is \$117,000, with potential income tax savings of just over \$40,000 based on a 35 percent tax rate. A long-term capital gain of \$200,000 is avoided, saving additional taxes of \$30,000 or more.* At the end of your lifetime, the UM Foundation receives the assets remaining in the trust, resulting in possible estate tax savings of \$100,000 or more.

*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.

