Charitable Remainder Unitrust: Frequently Asked Questions

What is a charitable remainder unitrust?

A charitable remainder unitrust is a trust agreement that splits benefits between an individual(s) and a charity. The donor transfer money or property, or both, to the trust in exchange for annual income payments. When the trust ends, the balance (remainder) is given to the charity as the donor’s gift.

How are the income payment rates determined?

The tax code requires that the payout rate be at least 5 percent, although it can be higher. Generally, the rate should reflect reasonable returns that one might expect from a prudent investment.

What does the term “unitrust” mean?

It signifies a method of calculating annual payments. The payments are variable, not fixed. If the asset value of the trust increases from year to year, the income payments rise correspondingly. Income can decline in some years where the trust’s value decreases. (A remainder trust that pays fixed income is available, too, where fixed payments are desired.)

How do donors receive payments?

Payments are made at the end of each quarter (March 31, June 30, September 30, December 31). Donors receive either a mailed check or a direct deposit into an account.

Can the remainder of the trust be designated to support a particular program or use at Vanderbilt?

Absolutely. The planned giving office is here to help donors identify a program, school or project at the university or the medical center that is meaningful and fulfilling to them.

Can more than one income beneficiary be designated?

Yes, a remainder trust may pay income to one or more individuals, jointly or consecutively. The planning options for this type of trust are extremely flexible.

What tax benefits are associated with a charitable remainder unitrust?

When the trust is established, the donor is eligible to claim a current income tax deduction. If the full deduction cannot be used in the first year, it may be carried over for up to five years.

If the donor funds the trust with appreciated property (stock, real property, etc.) no capital gains tax is imposed on the transfer of the property to the trust.
Is there a minimum age or amount for establishing a charitable remainder unitrust?

When Vanderbilt serves as Trustee, the minimum age is 60 and the threshold gift amount is $100,000.

Is a charitable remainder unitrust irrevocable?

Yes, a charitable remainder trust is irrevocable. Therefore, the donor will not be able to have the principal returned to him or her once the trust is established.

Can contributions to a charitable remainder unitrust be added in the future?

Yes, income payments will be prorated from the date of the new contribution according to a formula contained in the trust agreement.

Who should act as Trustee?

At large and long-established charities, especially universities, the charity that is the remainder beneficiary often agrees to serve as Trustee. This is true in Vanderbilt University’s case. Donors may wish to select other trustees such as a bank, trust company, financial services company or a trusted advisor or family member.

Is this a nonstandard way to make a charitable gift?

The charitable remainder trust is an accepted, familiar and time-tested method for making a charitable gift. It is relatively straightforward and simple. In fact, all of the elements of the charitable remainder trust are set forth in the U.S. tax code. Neither Congress, the IRS, nor estate planning advisors have ever considered the standard charitable remainder trust to be an aggressive or exotic strategy.

What should advisors such as CPAs, investment managers and attorneys know about this idea?

It is important to everyone at Vanderbilt that donors are satisfied with their gifts and that their interests are protected. The planned giving office strongly encourages consultations with independent advisors before making a gift. CPAs or tax preparers will be interested in the tax consequences of philanthropy.

Investment advisors will help identify portfolio assets that, when contributed to the trust, will result in the most effective tax savings. Attorneys will confirm that the trust fulfills personal and philanthropic goals as intended.