

Charitable Solutions: Accelerating a Charitable Remainder Trust



A charitable remainder trust (“CRT”) can be an effective way for your clients to secure an income stream while also incorporating their philanthropic goals. There are times, however, when your clients may wish to terminate their CRT.

Whether their desire to terminate stems from an immediate need for a lump sum of income or a more personal reason such as a divorce, you may want to advise your clients to designate a donor-advised fund as the charitable remainder beneficiary of the CRT before terminating. By doing so, upon termination, your clients will be able to provide immediate and ongoing support to their favorite charitable causes through the benefits of a donor-advised fund.

Considerations when terminating a charitable remainder trust:

Does your client have an immediate income need?

- **Yes:** An income beneficiary can receive an immediate lump-sum payment of income.
- **No:** An income beneficiary can assign the income interest to the charitable beneficiary, and may become eligible to take an additional tax deduction.

Would your client prefer to make a lump-sum grant to the charitable beneficiary upon termination, or provide ongoing charitable support?

- With a donor-advised fund, such as the Fidelity® Charitable Gift Fund (“Gift Fund”), named as the trust’s charitable remainder beneficiary, upon termination, your client can recommend grants to support charitable causes during their lifetime, or carry that support forward to future generations.

Benefits of the Gift Fund

The Giving Account® is the Gift Fund’s donor-advised fund, a structured giving vehicle that helps to maximize charitable donations and tax benefits. Advantages include:

- Ability to provide ongoing charitable support to multiple charities on your client’s timetable
- Anonymous granting
- Charitable vehicle to effectively involve future generations in philanthropy
- Opportunity to have a trusted advisor provide investment management for the charitable dollars contributed*

How it works:

Give

Name the Gift Fund as the remainder beneficiary before terminating the trust.

Grow

Assets contributed to the Gift Fund are invested for potential tax-free growth.

Grant

Support charitable causes at any time.

Case study

The situation:

- In her early forties, a charitably inclined individual decided to establish a charitable remainder trust as an income-generating strategy.
- Fifteen years later, she wishes to terminate the trust because she no longer requires the income and would prefer to use the assets to begin supporting several charities now.
- She is interested in providing ongoing charitable support as opposed to one lump-sum grant to the charities.

The considerations:

- Does she need the trust income?
- Rather than receive the trust income, would she prefer to assign her income interest to the charitable beneficiary? May she benefit from an opportunity to take an additional tax deduction on any assigned trust income?

The solution:

Individual no longer needs income interest

- Irrevocably designate the Gift Fund as the charitable remainder beneficiary of the CRT
- Income beneficiary assigns income interest to the Gift Fund (state laws and trust terms permitting)
- Upon assignment of interest income to the Gift Fund, the CRT terminates and all assets are distributed to the Gift Fund (state law permitting)
- Income beneficiary can take additional tax deduction for assigned income amount, provided it meets IRS criteria
- Account holder at the Gift Fund may:
 1. Begin researching organizations and recommending grants
 2. Designate account successors, which can include individuals, charitable organizations, or a combination of both

Individual wants to retain income interest

- Irrevocably designate the Gift Fund as the charitable remainder beneficiary of the CRT
- Terminate the CRT, usually through a judicial proceeding, based on applicable state statutes
- Upon court approval, the CRT terminates, and the trustee of the CRT distributes the respective interests to the income beneficiary and the Gift Fund in a lump sum
- Account holder at the Gift Fund may:
 1. Begin researching organizations and recommending grants
 2. Designate account successors, which can include individuals, charitable organizations, or a combination of both

Call a Charitable Planning Specialist at 800-682-4438 or visit CharitableGift.org to learn more about the Gift Fund's donor-advised fund program.

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The Fidelity® Charitable Gift Fund is an independent public charity with a donor-advised fund program. Various Fidelity companies provide investment management and administrative services to the Gift Fund. The Charitable Gift Fund logo is a service mark, and Giving Account is a registered service mark, of the Trustees of the Fidelity Investments® Charitable Gift Fund. Fidelity and Fidelity Investments are registered service marks of FMR LLC, used by the Gift Fund under license.