

# Enhance Your Life Through Philanthropy

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**Renaissance**  
Earning Your Trust Every Day

Hearing the word “philanthropist” today brings to mind names like Bill Gates, Ted Turner or Michael Dell. In looking at the past, you might think of Rockefeller or Carnegie. Each of these men is recognized for the good they did or continue to do through their philanthropic endeavors. But, is philanthropy only for the very rich? In reality, every tax-paying citizen in America is a philanthropist. The question is, are you a **voluntary** philanthropist or an **involuntary** philanthropist?

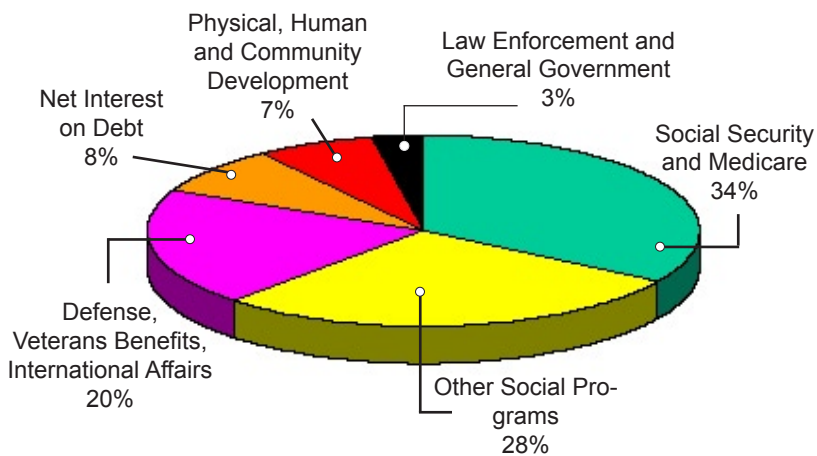
It all begins with a section of the income tax code that allows Americans to direct their tax dollars to the qualified organization of their choice, rather than “giving” their money to the Internal Revenue Service.

Taking advantage of certain sections of the tax law allows you to give your money to those qualified groups whose missions are important to you. By using powerful financial and estate planning tools, you can become a voluntary philanthropist while achieving your personal financial goals as well.

## What is Social Capital?

**social capital** \ˈsō-shəl ˈkɑ-pə-təl\ The assets you cannot keep for your personal use, but must be designated for the use and benefit of society. Unless you direct this wealth to qualified organizations of your choice, your social capital will be paid in the form of taxes to the government, which will decide how your social capital is used.

**Federal Spending of  
“Involuntary” Social Capital  
(Fiscal 2002)**



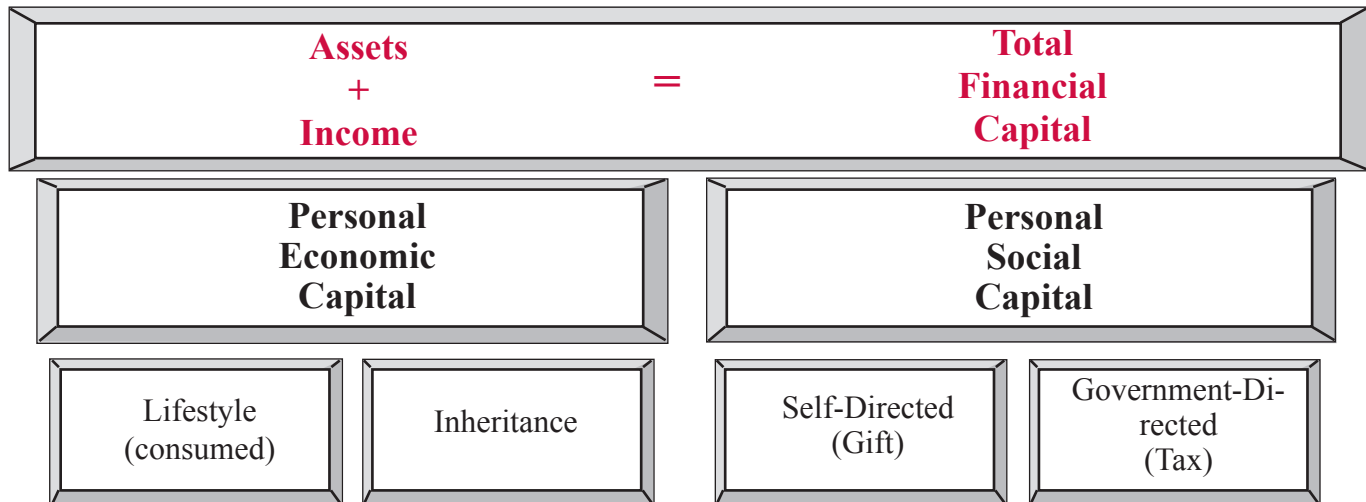
**Your Ability To Control Spending  
of Involuntary Social Capital**



## How would you direct your Social Capital?

## Social Capital: A Closer Look

This diagram explains how what you earn is distributed and allocated. **Personal economic capital** is the money that you spend to support your lifestyle. The money you save long-term will be an inheritance to those you leave behind. **Personal social capital** is money that we earn but cannot keep, and unless we choose otherwise, goes directly to the government in the form of taxes.



### Personal Economic Capital

You fully control your personal economic capital, deciding how much to spend, what to purchase and how much to save. Money you do not spend is left to your heirs, but much of it will first go to the government instead of your heirs in the form of taxes. By self-directing how to use your social capital, you can achieve significant financial and non-financial objectives. By gifting assets through charitable instruments, you can increase your income and significantly reduce or avoid income, capital gain and estate taxes.

### Personal Social Capital

This is the money you earn but cannot keep, and unless you direct otherwise it goes directly to the government in the form of taxes. Although this is the “default” destination of your social capital, it is not necessarily your preferred destination. By self-directing your personal social capital, you gain considerable tax benefits and make sure that your social capital goes to qualified organizations of your choice.

## Social Capital: Benefits to You

We have established that social capital can be directed in one of two ways. You have the right to choose whether to direct our social capital to the organizations whose missions agree with our priorities or values, or to allow the government to direct our social capital based on its priorities.

By self-directing your social capital, you are acting to make society a better place for everyone. In this way, your social capital is used based on your priorities and objectives. In return for making these gifts to organizations that improve our society, you receive significant financial and non-financial benefits. When you self-direct your social capital, income, capital gain and estate taxes can be dramatically decreased or eliminated and the not-for-profit charitable organizations of your choice will receive the funds necessary to meet their objectives. You can also make provisions for the future needs of your children.

The benefits that result from self-directing social capital are only achieved when you take the necessary actions to implement a financial plan that includes charitable instruments. Without a plan, the government will direct your social capital.

## Is there a Charitable Remainder Trust in your Future?

A charitable remainder trust (CRT) could address many of your personal financial goals while providing the ability for you to make a significant gift to the qualified organizations of your choice. CRTs are planning tools that allow you to take control of your social capital — the portion of your wealth that is customarily paid in taxes to the government. With a CRT, you designate the qualified organizations that will receive your social capital and you also receive significant financial benefits. Anyone who is subject to paying capital gain taxes on appreciated assets and whose estate is subject to estate taxes is a candidate to benefit greatly from a CRT.

### How does a CRT Work?

A CRT is an irrevocable, tax-exempt trust with two parts: 1) the income interest, and 2) the remainder interest. The income interest is the income paid to the individuals who established the trust (or their designated beneficiaries) for a term of years or for their lifetime. The remainder interest is the money remaining in the CRT when the trust terminates. The remainder interest is given to the qualified organizations (including a family foundation) of the donor's choice as specified in the trust document.

### What are the personal financial benefits of CRTs?

**1. Tax-Free Asset Conversion:** Through a CRT, appreciated assets may be sold free from the erosion of capital gains. Asset conversion is the most visible financial advantage of using a CRT.

**2. Current Income Tax Deduction:** A gift to a CRT can provide you with a current income tax deduction that can offset all forms of income.

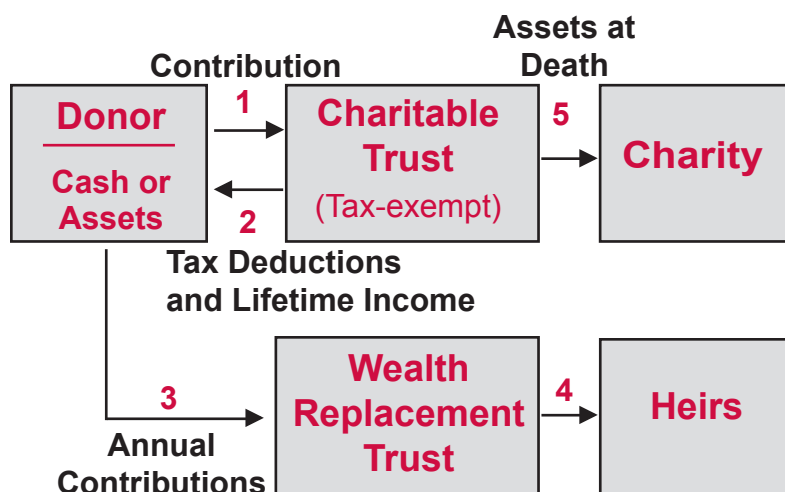
**3. Increased Cash Flow:** You may own a highly appreciated asset that generates little or no income, but are reluctant to sell it because the capital gains tax would consume one-fifth of its value and one-fifth of the resulting income. The ability to sell the asset free from capital gain taxes enables a CRT to generate more income for recipients.

**4. Lifetime Cash Flow Planning:** With careful design and investment management, the CRT can defer income for later distribution. This feature enables possible accumulation of income for retirement planning or for intermittent financial needs that may occur along the way. Income deferral can also enhance the value of the ultimate charitable gift.

**5. Retirement Planning and Asset Management:** Among other things, retirement denotes reduction of management responsibilities. This may be true not only in the work place, but also with personal assets.

The CRT not only provides the means to dispose of *management intensive* assets, it also supplies a mechanism to provide professional asset management during a person's later years when it may be most needed or desired.

**6. Gift and Estate Tax Planning:** The CRT offers you an effective alternative to the payment of gift and estate taxes. Amounts transferred to a CRT are not generally subject to gift or estate taxes. The combination of capital gains, gift tax and estate tax avoidance can be very compelling for those who wish to control their social capital.



In addition to the gift and estate tax saving generated by the trust itself, the cash flow created by the CRT can be coordinated with other estate planning techniques. The most common combination involves gifts of cash from you to an irrevocable trust or directly to family members who then use them to purchase life insurance. Commonly referred to as *wealth replacement*, the concept often enables you to provide a significant legacy to charity without disinheriting heirs.

## Benefits of Self-Trusteeship: A Decision You Make

Although you may choose to make a gift to a CRT, you do not need to give up control of the asset during your lifetime. We find that the vast majority of donors are good candidates to serve as self-trustee. As the donor, you have an interest in seeing that the assets you transferred to the charitable trust are invested wisely. When it comes to deciding what is best for your trust, shouldn't you, the donor, make that ultimate decision?

### Self-Trusteeship – Right for Almost Anyone

Serving as self-trustee will consume little of your time once you select the right administrator and financial professional(s). You should select an administrator whom you trust to monitor the trust for compliance with applicable laws and regulations, and complete all tax reporting, accounting and distributions of income. You should select a financial professional whom you trust and who will invest in a responsible manner.

Self-trusteeship is a way for you to remain involved in the decisions made concerning your trust without incurring daily hassles and responsibility. Instead, you will receive the support of qualified professionals for administration and asset management, while retaining the ability to choose and evaluate the performance of each of them. Renaissance specializes in the self-trustee arrangement, and with more than 5,000 trusts under administration, has experience in working with donors like you.

### Choosing an Administrator

As a self-trustee you should select a professional administration firm to handle the responsibility of keeping the trust in compliance with the law. There are several details that must be constantly monitored, including the introduction or passage of new tax laws that may affect your trust. More self-trustees hire Renaissance to administer their trusts than any other company. We provide worry-free, affordable gift administration, which means that you benefit from:

- The expertise and experience of our staff
- Our specialization in the administration of charitable instruments
- The intellectual capital of our staff attorneys, accountants and client service specialists
- Our proprietary charitable gift accounting and tax reporting software systems that are the most efficient and accurate in the industry
- Our customer service team that makes you its top priority.



### Choosing an Investment Manager

It is important to realize that CRT investment accounts need to be managed very differently than the typical brokerage account that most financial advisors are accustomed to managing. An advisor who manages an account as they would a typical brokerage account can cause the trust to lose its tax-exempt status and not even realize it.

The financial advisors at CharitableRemainderTrust.com have experience in properly managing CRT assets and focus their business on all aspects of Charitable Estate Planning. You can reach them toll free at 800-535-4720.

## The Value of Expert Trust Administration

Once you've decided to create a charitable remainder trust, the next step is to make sure the trust is administered to meet your goals. Donors and trustees from every state have hired Renaissance to administer their trusts. With more than 5,000 trusts and more than \$2 billion under administration, Renaissance is the oldest and largest third-party administrator. Renaissance is the company that advisors, attorneys, accountants, development officers and brokers turn to for marketing, training and case design. Our staff has more experience than any other administration firm in the country.

Hiring a world-class administrator is the key to maintaining the ongoing value of your charitable remainder trust. At its bare minimum, trust administration involves making sure that distribution checks and tax returns are correctly and timely completed. Additionally, charitable remainder trusts must comply with specialized accounting rules that are unique to charitable remainder trusts. Our track record is second-to-none when it comes to those fundamental duties. We also monitor legislative and regulatory changes to determine how they impact your trust.

Only through proper administration can you truly experience the fruits of your planning and commitment. As your administrator, Renaissance works for you to monitor the trust's transactions and ongoing compliance of your charitable remainder trust. We currently work with thousands of advisors from different firms and can work with anyone you hire to invest your trust's assets.

The highlights of our administrative services include:

- Continuous maintenance of records and processing of data as required to comply with the unique charitable remainder trust accounting rules
- Working with your other advisors to ensure that complex transactions associated with hard-to-value assets and multiple money managers go smoothly and do not compromise the tax status of your charitable remainder trust
- Providing an illustration of your charitable income tax deduction
- Determining the tax character of investment transactions
- Determining the allocation of trust expenses to principal and income
- Coordinating the payment of trust expenses as requested by the trustee
- Following IRS requirements to determine the amount and allocation of income
- Ensuring that income beneficiary distributions are computed and processed to meet trust requirements
- Requesting funds and distributing trust income to beneficiaries
- Preparing all tax reporting forms required by the IRS that are specific to each trust administered and delivering them to you in a timely fashion for your review and signature
- Providing you with annual reporting of trust value, investment activity, income distributions and overall performance
- Providing you with on-line access to information about your charitable remainder trust
- Paying charitable distributions and preparing final trust tax returns at the termination of the trust

Renaissance gives you more **control**, for greater flexibility; more **service**, for one point of access to essential information including on-line access; more **experience**, for avoiding pitfalls in administration; and more **in-depth reporting**, for more informed decisions in governance. Put our experience and know-how to work on administration of your trusts.

## Results

Years of client service have taught us to make it work for the client. As a trustee, you will receive the annual tax returns ready for your signature with an envelope pre-addressed to the IRS. Along with the tax returns, we also include an easy to understand, highly-informative annual report, including summaries of trust value, distributions and accounting balances. We make it that simple. Of course, should you require any additional information, we are always willing to provide it via our toll-free telephone number, regular mail or e-mail.

### What You Get From Us

- No hassles** — Renaissance is a full-service trust administrator. We do the work so you can enjoy the benefits of your trust.
- Focus** — Our entire business is trust administration. Every Renaissance employee contributes to the administration of your trust.
- Confidence** — Our experience and expertise allow you to be confident that your trust is administered responsibly.
- Flexibility** — Renaissance works with thousands of money managers so you can rely on those you trust for investment management.
- Choices** — You have the ability to serve as your own trustee and choose who provides administration and investment management services to you.
- Service** — You can always call on our expert staff for assistance at no charge.

For more information, call Renaissance at 800.843.0050  
or [CharitableRemainderTrust.com](http://CharitableRemainderTrust.com) at 800.535.4720

# Resources for Maximizing the Wealth Management Environment



Renaissance Inc. is the nation's largest independent administrator of wealth management instruments. Renaissance partners with financial professionals, attorneys, accountants and planned giving officers to assist in maximizing their clients' capital through the administration of a variety of wealth management instruments. These instruments include charitable remainder trusts, charitable lead trusts, donor-advised funds, private foundations, supporting organizations, and all personal trusts. Founded in 1987, Renaissance is the industry leader in trust administration (currently administering more than 5,000 wealth management instruments with assets in excess of \$2 billion), legal support, consulting services and training. With a wealth of knowledge and an unparalleled depth of expertise and experience, Renaissance offers total estate planning support, including powerful charitable planning strategies that maximize clients' financial resources while leaving more to charity and providing for a family legacy.



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