

PHILANTHROPY

CHARITABLE REMAINDER ANNUITY TRUSTS (CRATs): SECURING YOUR LEGACY WHILE GIVING BACK

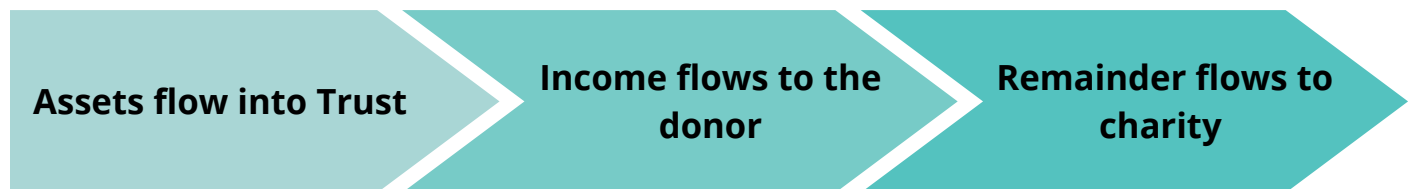
In legacy planning, Charitable Remainder Annuity Trusts (CRATs) stand out as a strategy for individuals who want to make a lasting impact through charitable giving while also securing financial benefits. If you're considering how to incorporate philanthropy into your financial plan, understanding CRATs could be the key to optimizing your estate for both personal and altruistic goals.

What is a Charitable Remainder Annuity Trust?

A CRAT is an irrevocable trust that allows you to turn non-liquid assets into a predictable stream of income for yourself or loved ones while leaving a meaningful contribution to a charity of your choice. Here's how it works:

- You transfer assets—such as real estate, stocks, or cash—into the trust.
- The trust provides a fixed annual income for a set period (either your lifetime or up to 20 years).
- Once the trust term ends, the remaining assets go to a charity of your choosing.

This dual function of supporting both personal income needs and charitable causes makes CRATs a powerful tool in your legacy planning toolkit.



Why Include a CRAT in Your Legacy Plan?

CRATs offer several financial and philanthropic benefits, making them ideal for those who want to give back while ensuring financial security for themselves or their beneficiaries. Here's how a CRAT could work for you:

- **Capital Gains Tax Savings:** If you own highly appreciated assets, a CRAT allows you to avoid immediate capital gains taxes. When you transfer the assets into the trust, the trust can sell them without incurring taxes, maximizing the value of your assets.
- **Immediate Tax Deduction:** By setting up a CRAT, you receive an immediate charitable tax deduction, which is based on the present value of the assets that will eventually go to charity.
- **Estate Tax Reduction:** Assets placed in a CRAT are removed from your taxable estate, potentially reducing the amount subject to estate taxes and preserving wealth for both your family and philanthropic goals.
- **Predictable Income:** Whether you are nearing retirement or seeking a steady income stream, the fixed annuity payments provided by a CRAT offer peace of mind. You'll know exactly what income to expect each year.

Is a CRAT Right for You?

CRATs are particularly appealing if you:

- Own appreciated non-liquid assets (e.g., stocks or real estate) and want to avoid capital gains taxes.
- Seek fixed, predictable income during retirement or want to support loved ones with a reliable financial source.
- Wish to reduce estate taxes while leaving a lasting legacy for charitable causes.

However, because CRATs are irrevocable, they may not be ideal for those who need ongoing access to the assets they are placing in the trust. Before committing, ensure you are comfortable with relinquishing control over these assets.

How CRATs Align with Your Broader Legacy Goals

At Life By Design Investment Advisory Services, we are committed to helping you design a financial plan that supports the lifestyle and legacy you envision. A CRAT may serve as an essential part of that strategy, blending financial stability with a lasting philanthropic footprint.

By working with us, you'll receive personalized guidance to determine whether a CRAT fits within your overall legacy plan, taking into account your current financial situation, your charitable goals, and the tax advantages you can leverage.

Expanded Bullet Points on CRAT's Tax Benefits:

- **Avoid Capital Gains Taxes:** When you transfer appreciated assets into a CRAT, the trust can sell them without triggering capital gains taxes, allowing the full value to be reinvested to generate income.
- **Immediate Charitable Deduction:** Upon transferring assets to a CRAT, you'll be eligible for a partial charitable deduction in the year the trust is created. The size of this deduction depends on the value of the assets and the length of the trust term.
- **Reduce Estate Taxes:** Assets within the CRAT are excluded from your taxable estate, which could reduce your estate tax liability. This is particularly beneficial for individuals with large estates who wish to minimize tax exposure for their heirs.
- **Steady Income Stream:** The fixed annuity payments provide a predictable income for the trust term, ensuring financial stability during retirement.

For more personalized advice, contact Life By Design Investment Advisory Services today. We'll help you explore how CRATs can fit into your comprehensive wealth and legacy plan.

Ready to explore how a CRAT can benefit your financial future and legacy? Contact Life By Design today for a personalized consultation.

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