What Is a Charitable Remainder Trust?
A charitable remainder trust (CRT) is established when you transfer assets (cash or appreciated assets) to the trustee named in the trust agreement (e.g., a bank trust department or Penn State). Your trustee invests the assets for the term of the trust, which can be for the life of the income beneficiary (or beneficiaries) or for a term of no more than twenty years. When the trust ends, the remaining assets are distributed under the guidelines that you previously set for your gift to Penn State.

There are two basic types of CRTs, and the payment you receive depends on the kind of CRT that you choose. A charitable remainder annuity trust pays a fixed amount each year for as long as the trust term lasts. The payment must be at least 5% of the value of the trust assets when it is established. The charitable remainder unitrust differs in that the payments may be variable because you are receiving a fixed percentage of the unitrust’s assets as revalued each year. The payment must still be at least 5% of the trust’s value, but in this case, it is revalued annually.

What Are the Benefits of Setting Up a Charitable Remainder Trust with Penn State?
- Ensure a bright future for Penn State and continue the storied tradition of giving.
- Supplement your retirement income with the potential for long-term income growth.
- Unlock appreciated assets (securities, real estate, business interests, etc.) without incurring a capital gains tax.
- Remove assets and future appreciation from your taxable estate.
- Receive secure investment and administrative management through Penn State with no fee.
- Obtain a significant income tax charitable deduction.

Gift Planning Tip:
The type of trust you choose depends on your goals. The annuity trust may be more appropriate if the security of a fixed, steady stream of income best meets your needs; the unitrust, with its variable payments, may provide a hedge against future inflation.
Let us help you plan.
Penn State’s Office of Gift Planning will confidentially answer your questions about giving and work closely with your legal, tax, and other advisers to come up with an integrated plan that meets each of your personal goals. Please contact us anytime or visit our interactive gift planning website at giftplanning.psu.edu.

Annuity Trust Example:
Mrs. Blue ’60 establishes a $200,000 annuity trust with a payout rate of 5% that provides annual payments of $10,000 to her granddaughter for five years to help with the costs of her education. The next year, if the trust appreciates to $205,000, her granddaughter still receives $10,000. Conversely, if the trust’s value declines to $195,000, her granddaughter still receives $10,000. At the end of the five-year period, Mrs. Blue has directed that the remaining principal fund a scholarship for a student in her college. In addition, Mrs. Blue would receive a significant income tax deduction of $152,512 in the year that the trust was established.

Unitrust Example:
Mrs. Blue ’60 establishes a $200,000 unitrust with a payout rate of 5% as revalued each year with the payments going to her for the rest of her life. In the first year, if the trust appreciates to $205,000, she will receive $10,250. Conversely, if the trust’s value declines to $195,000, her income will be $9,750. Mrs. Blue has directed that, upon her passing, the remaining principal fund a scholarship for a student in her college. In addition, Mrs. Blue would receive a significant income tax deduction of $110,942 in the year that the trust was established.

The results in this example are based on a 2.4% CFMR and may vary due to time of gift and other factors.

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