

Donor establishes an irrevocable trust, naming one or more charities as beneficiary. The donor receives an income stream from the interest on the trust and tax benefits for the donation. These vary according to the type of trust:

1) Charitable Remainder Annuity Trust – Donor makes a charitable gift to trust. The donor receives an annual payment equal to a predetermined percentage of the initial value of the gift. At the end of the fixed term or at death, the charity receives the remainder. The donor receives a charitable deduction at the time of the gift equal to the present value of the annuity.

2) Charitable Remainder Unit Trust – Donor makes a charitable gift to a trust. The donor receives an annual payment equal to a predetermined percentage of the initial value of the gift. The payment is recalculated each year and is based on current value of the trust. At the end of the fixed term or at death, the charity receives the remainder. The donor receives a charitable deduction at the time of the gift equals to the present value of the annuity.

3) Net Income with Makeup Charitable Remainder Trust (NIMCRUT). This is similar to the above except that if the trust does not have the income to make annuity payments; the payment is carried forward to a year in which sufficient income is available to make the payment.

4) Testamentary Charitable Remainder Trust. A charitable remainder trust is bequeathed through a donor's Will for the benefit of a family member, who will receive the annuity, with the remainder going to the charity.

5) Testamentary Charitable Remainder Trust Funded with Retirement Plan Assets. Using retirement assets to fund a charitable remainder trust at death is useful in that the retirement income avoids tax to the extent of what is left to the charity.

6) Irrevocable Life Insurance replacement trust. The donor gifts part of the charitable remainder trust annuity to a life insurance trust to buy life insurance equal to the value of the charitable gift. The beneficiaries receive the life insurance proceeds free of income or estate tax. This replacing the gifted assets tax-free.