



# CHARITABLE REMAINDER TRUSTS

## HOW DOES A CHARITABLE REMAINDER TRUST WORK?

A charitable remainder trust is an individually structured trust that makes payments to you and/or others for your lifetime(s) or a term of years (maximum 20 years). At the end of the trust term, the remaining assets are distributed to Northeastern. You and your trustee decide on a fixed percentage payout when you establish the trust, typically five percent. If you elect Northeastern as trustee, investment professionals at BNY Mellon Wealth Management will oversee the investment of your trust in a diversified portfolio of stocks and bonds.

Through the use of this versatile plan, you might achieve a number of personal goals:

- Provide income for yourself, your spouse, and other loved ones either during your lifetime or through your estate
- Provide tuition assistance to a child or grandchild during their college years
- Increase income by donating low-yielding assets
- Reduce or eliminate capital gains, estate, and/or gift taxes
- Diversify your investments and obtain potential tax-free growth of assets
- Make a significant gift to Northeastern in a way that helps you also provide for financial needs

## STRUCTURING A TRUST FOR IMMEDIATE PAYMENTS

The charitable remainder unitrust (CRUT) offers variable payments each year equal to the fixed percentage of the value of the trust's assets as determined annually. A variety of assets can be used to establish a unitrust, such as real estate or art. You also can make additional contributions to your unitrust once it is established.

### EXAMPLE

*If you establish a five percent CRUT with \$100,000, your payout the first year would be a prorated portion of \$5,000. If the trust grows to \$104,000 by January 1 of the following year, you would receive five percent of \$104,000, or \$5,200.*

The charitable remainder annuity trust (CRAT) offers fixed payments that do not change over time. An annual payout amount is also determined at the time the trust is created, and that payment remains the same for the duration of the trust, regardless of the performance of the trust assets. You cannot make additional contributions to a CRAT once it has been established.

### EXAMPLE

*If you establish a trust with assets worth \$100,000 and choose a five percent payout, you will receive \$5,000 each full calendar year for the life of the trust.*

## STRUCTURING A TRUST TO DEFER PAYMENTS

The flip unitrust is an exceptionally flexible type of gift arrangement. It can be designed to generate a stream of income from non-income producing property, or it can be designed to maximize your retirement income. At inception, the flip unitrust pays little or no income. It later “flips” to become a standard unitrust following a specified triggering event.

There are several qualifying triggering events. The following are two examples:

### EXAMPLE 1

*You would like to donate a vacation home you are no longer using to a trust that will provide you with income. You can donate the property to a flip unitrust, stipulating that the “flip” event is the sale of the property. Before the “flip” date, the trust pays only income earned, which in this case is zero dollars. After the trust “flips,” the proceeds of the sale are invested in a diversified portfolio, paying you the full percentage amount of the trust’s fair market value every year.*

### EXAMPLE 2

*If you want your income to begin at retirement, you can stipulate that the “flip” event be set for a specific birthday. Up until that time, the trustee invests the principal for maximum growth and little income. After the “flip” event, the assets in the trust are invested to produce maximum income.*

## TAX BENEFIT

Regardless of the type of trust you choose, you generally receive an immediate income tax deduction when the trust is created for a portion of the value of the assets donated.

Highly appreciated assets are ideal to donate because you avoid the up front capital gains tax on the sale of the assets when you donate them to fund your trust.

**We welcome the opportunity to work with you to ensure that your gift meets your specific objectives. It is advisable to consult your attorney or financial advisor before finalizing your plans. For more information, explore [plannedgiving.northeastern.edu](https://plannedgiving.northeastern.edu) or contact us at:**

Office of Gift Planning  
Northeastern University  
716 Columbus Avenue, Suite 402  
Boston, Massachusetts 02120  
[giftplanning@northeastern.edu](mailto:giftplanning@northeastern.edu)  
617.373.2030

## ASSETS YOU CAN GIVE TO NORTHEASTERN

- Cash
- Publicly traded stock or mutual funds
- Closely held stock
- Real estate
- Collectibles such as fine art, antiques, and jewelry

### HOW IT WORKS



#### STEP 1

Trust instrument is drafted with legal counsel. Donor transfers assets to trustee. Donor receives income tax deduction for value of remainder. Trustee will liquidate donated assets.



#### STEP 2

Trustee makes payments to income beneficiaries (income will vary annually with the value of the trust). Trustee will manage trust’s investment and prepare annual K-1 tax form.



#### STEP 3

Remainder is released to Northeastern at passing of last beneficiary (or term of years), for purpose(s) specified by donor.



THE SPEARE SOCIETY

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The Speare Society was established to honor Northeastern alumni and friends who demonstrate their generosity and commitment to the university through a planned gift. After you establish your legacy gift, we encourage you to inform us so we can personally thank you and welcome you to the society. Your notification will be treated confidentially if you wish.