

INCOME TO CHILDREN AND A GIFT TO CHARITY

A few years ago a man called to say he wanted to execute his will while he was still alive. I was a little taken aback with his thoughts but I said “explain to me how you plan to do that.” He said he had planned to leave his children \$1 million dollars through his will but that he would like to leave it to them now. He hesitates, however, because his financial advisor said he would have to pay a gift tax to the government. He read an article I had written about giving a gift twice and he liked the idea.

In the article I mentioned that a person can give assets to establish a Charitable Remainder Trust. The income from the trust can be received by his children for life or for a period of years up to 20. “Yes, he said.” “I would like to give my children a stream of income for 20 years.” “They don’t need \$1 million in principal now.” “\$50,000 a year Income, over 20 years, would give them the million dollars.” “I like that idea, as well as the fact that I would receive a charitable tax deduction for part of the million dollars used to fund the trust.” I explained that there would be some gift tax due but that the tax deduction would help offset the gift tax. At the time, he held appreciated 3M stock and he used that to fund the Charitable Remainder Trust. By using stock, he avoided part of the capital gains tax which he also liked.

I also mentioned that after the twenty-year period the charitable trust assets remaining could establish a family-named endowment account. This endowment would continue to yield 5% for his and his wife’s favorite charitable program at the organization for which I worked. He really liked that idea.

Perhaps you have been thinking of providing your children or an aging parent with an income stream. You could do that through a Charitable Remainder Trust. The Charitable Trust you establish could provide income to your loved one and later, income for your favorite Carver County charity or charities. You select the Trustee, so you may choose your Bank Trust Department or your favorite investment firm, providing they have a Trust Department. You may also select one or more income beneficiaries. Please call or E-mail me if you would like to explore this concept for the gift portion of your estate plan.

The Foundation is offering a free **Guide to Distributing Your Estate**.
For your free no-obligation copy please call (952) 250-5138 or
Email info@carvercountyfoundation.org.



I look forward to hearing from you.

Learn more about the Foundation at:
www.carvercountyfoundation.org.

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