

# **PGM Anywhere & Charitable Remainder Trusts**

September 23, 2026

The Net Income Trust

Flip Trusts with Illiquid Assets

Flip Trusts Integrated into Retirement Planning

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# Forget the “Charitable Remainder.” What is a Trust, classically?

The players:

Settlor/Grantor/Donor: person who originally held legal title to the property

Trustee: Holder of the **legal** title.

Beneficiary/ies: current holder of **equitable** title

Equitable Remainderman: At the end of the trust, this individual receives the equitable and legal title of the property.

# Net Income Charitable Remainder Unitrust

## The “NICRUT”

Payout percentage is constant, BUT

Payout is **the lesser of:**

- (1) Net Income earned during the year, or
- (2) Stated payout percentage (like a CRUT)

**Donor can make additions in the future**

**Can include a “Makeup” Feature → (“NIMCRUT”)**

***Classical Purpose: a guarantee that trust principal is never invaded to make a distribution***

## NICRUT EXAMPLES

### Example #1: NICRUT @ 5%

12/31/2030 valuation: \$300,000.

2030 Performance: 1% income // 10% appreciation

What is the Payout?

The lesser of: \$3,000 (from income) and 5% of FMV = \$15,000 in total

Question: How will the income beneficiary be taxed?

**Extra Credit: What is the extra Trust Admin step if this were a NIMCRUT?**

### Example #2: NICRUT @ 5% (same exact trust as above)

12/31/2035 valuation: \$300,000.

2035 Performance: 10% income // 1% appreciation

What is the Payout?

The lesser of: \$27,000 (from income) and 5% of FMV = \$15,000 in total

Question: How will the income beneficiary be taxed?

**Extra Credit: based on 2030, what would it pay out as a NIMCRUT?**

# Modelling Bad Trusts in PGM Anywhere

## PGM Anywhere Example #1: Classical Net Income Trust Issues

George and Gretta Grantor have:

One child, Inga (age 60)

One Passion, the Math Society

The wasting trust: The Copper Mine

The speculative trust: The Picasso

What does Inga think? How about the Math Society?

Would you ever want your organization involved in either of these trusts?

But wait: who says “no” to a \$1M trust?

# Modelling the Extreme ends of the NICRUT

**Gift Date•Lives•Term**

**Gift date:** 9/23/2026 

**IRS discount rate:** 5.4% for September 2026 ▾

**Gift term:** ☒ Lives ☐ Fixed term ☐ Lives & fixed term

**Ages or birth dates:** ☒ Ages ☐ Birth dates

**Age 1:** 60

**Age 2:**



**Year projection ends [life exp. = 2056]:** 2056

**Show present values for projected amounts?** No ▾

## Modelling the Copper Mine: 1 of 3

**Net Income Unitrust** 

Property type: Ordinary income property 

Value of property transferred: \$1,000,000.00

Cost basis (enter % sign for percentage): \$100,000.00

☐ Apply above to all gift options

Use maximum payout rate that meets 10% remainder requirement? No 

Unitrust payout rate: 10%

Unitrust type: Net income 

Payment frequency: Quarterly 

Whole months from annual valuation date to first payment date: 3 

Investment Assumptions for Projections 

Done

## Modelling the Copper Mine: 2 of 3

**Net Income Unitrust**

Change income/appreciation rates during gift term?

Yes

**Initial rates**

Sell all funding assets in first year?

Yes

Annual income rate:

15.0%

% of income exempt from tax:

0.0%

% of income taxed as qualified dividends:

0.0%

Annual appreciation rate:

1.0%

Annual asset turnover %:

0.0%

Cost of sale (% or \$):

0.0%

**New rates**

Year income/appreciation rates change?

2045

Done

## Modelling the Copper Mine: 3 of 3

**Net Income Unitrust**

**New rates**

Year income/appreciation rates change?

2045

Sell all assets in year of change?

Yes

Annual income rate:

0.0%

% of income exempt from tax:

0.0%

% of income taxed as qualified dividends:

0.0%

Annual appreciation rate:

-97.0%

Annual asset turnover %:

0.0%

Cost of sale (% or \$):

0.0%

Annual management fee (% of principal):

0.0%

☐ Apply investment %s to all gift options

Done

## Modelling the Picasso: 1 of 3

***NOTE: Did I choose the correct property type? Check the Help Section***

Net Income Unitrust

Property type:

Collectibles

Value of property transferred:

\$1,000,000.00

Cost basis (enter % sign for percentage):

\$100,000.00

Will charity put property to a related use?

No

☐ Apply above to all gift options

Use maximum payout rate that meets 10% remainder requirement?

No

Unitrust payout rate:

10%

Unitrust type:

Net income

Payment frequency:

Quarterly

Whole months from annual valuation date to first payment date:

3

Investment Assumptions for Projections

Done

## Modelling the Picasso: 2 of 2

**Net Income Unitrust** ✕

Where income from annual valuation date to  
first payment date:

**Investment Assumptions for Projections** ⊞

Change income/appreciation rates during gift term? No ▼

Sell all funding assets in first year? No ▼

Annual income rate: 0.0%

% of income exempt from tax: 0.0%

% of income taxed as qualified dividends: 0.0%

Annual appreciation rate: 10.0%

Annual asset turnover %: 0.0%

Annual management fee (% of principal): 0.5%

☐ Apply investment %s to all gift options

Done

Let's Look at:

Summary of Benefits Projection

Detailed Cash Flow Analysis

Payments Line Graph

## INTRODUCTION TO ILLIQUID ASSETS

Any bad experiences to share?

How about difficult conversations?

## Risks of Illiquid Assets in Life Income Gifts

Can it sell for its appraised value?  
What if it doesn't?

CGA Fact pattern:

George and Greta Grantor have a property  
appraised for \$1M.

Their combined current ACGA rate is 5.4% (\$54,000)

They make the gift

The Property sells for \$900k 2 months later

What is their payment amount (and real rate)?

## Risks of Illiquid Assets in Life Income Gifts

Can it sell for its appraised value?  
What if it doesn't?

CRAT Fact pattern:

George and Greta Grantor have a property  
appraised for \$1M.

They donate it to a 5% CRAT

The Property sells for \$900k 2 months later

What is their first payment amount (and real rate)?

## Risks of Illiquid Assets in Life Income Gifts

Can it sell for its appraised value?  
What if it doesn't?

CRUT Fact pattern:

George and Greta Grantor have a property  
appraised for \$1M.

They donate it to a 5% CRUT on 12/30/26

The Property sells for \$900k 2 months later

What is their first payment amount (and real rate)?

## Risks of Illiquid Assets in Life Income Gifts

Can it liquidate in time for the first payment?  
What if it doesn't?

CGA Fact pattern:

George and Greta Grantor have a property  
appraised for \$1M.

Their combined current ACGA rate is 5.4% (\$54,000)

They make the gift on 10/1/2026

The Property has not sold by 12/31/2026

When must they make the first payment?

## Risks of Illiquid Assets in Life Income Gifts

Can it liquidate in time for the first payment?  
What if it doesn't?

CRAT Fact pattern:

George and Greta Grantor have a property  
appraised for \$1M.

They donate it to a 5% CRAT on 12/30/27

The Property has not sold by 3/31/2027

When must they make the first payment? How?

## Risks of Illiquid Assets in Life Income Gifts

Can it liquidate in time for the first payment?  
What if it doesn't?

CRUT Fact pattern:

George and Greta Grantor have a property  
appraised for \$1M.

They donate it to a 5% CRAT on 12/30/27

The Property has not sold by 3/31/2027

When must they make the first payment?

## Risks of Illiquid Assets in Life Income Gifts

Any other risks I'm missing?

# The Mechanics of the Flip CRUT

## #1: NI(M)CRUT

Payout is **the lesser of:**

- (1) Net Income earned during the year, or
- (2) Stated payout percentage of trust principal

## #2: FLIP EVENT

Single and Identifiable  
Non-Discretionary (As to timing)

**Allowable examples:**

marriage / divorce / death / birth / specific date / sale of **unmarketable** asset

## #3: STANDARD CRUT

In the year **AFTER** the flip event occurs

Payout is a set percentage of the trust as revalued annually

## Fact Pattern: Gift of Real Estate

PG Calc - PGM Anywhere and CRTs - September 2026 - DN

### The Society for Math:

- *We will draft, trustee, administer and invest the trust as long as:*
  - *The Trust is funded with at least \$250k and we are at least 50% remainder **irrevocable** beneficiary.*
  - *The default payout rate is 5% (we may go up to 7% in the right circumstances, but do they need to know that?)*
- *I already know that Bald Mountain Bank is our Investment Manager:*
  - *They say an 8% Portfolio return is appropriate: 5% Appreciation, 3% Income*
  - *They charge 0.5% management fee*

### The Donors: ages and goals

- George (70) and Greta (69) Grantor were sharing their plans for this summer
  - They aren't going out to their favorite cottage on Lake Winnepesaukee this year. The kids are grown up and it's just a lot of hassle
- **They bought in 1990 for \$200k and Zillow says its worth \$1,500,000 now**
- Would they like to know more about how they could get turn:
  - that property into an income stream for life without the hassle of renting it,
  - avoid and/or defer a significant amount of the capital gains and
  - make a huge charitable impact at the Math Society?

# A Flip CRUT for George and Greta?

## **#1: NI(M)CRUT**

\$1,500,000 Second Home as funding asset

## **#2: FLIP EVENT**

Sale of the Property

## **#3: STANDARD CRUT**

A mountain of capital gains income to fund a 5% CRUT for two lives  
The capital gains flow out as Trust income instead of 1 big event

# Modelling a Flip CRUT

**Gift Date•Lives•Term**

**Gift date:**

9/23/2026



**IRS discount rate:**

5.4% for September 2026

▼

**Gift term:**

☒ **Lives**

☐ **Fixed term**

☐ **Lives & fixed term**

**Ages or birth dates:**

☒ **Ages**

☐ **Birth dates**

**Age 1:**

70

**Age 2:**

69



**Year projection ends [life exp. = 2052]:**

2052

**Show present values for projected amounts?**

No

▼

# Modelling The Donor's Flip CRUT

Flip Unitrust

Property type:

Long term gain property

Value of property transferred:

\$1,500,000.00

Cost basis (enter % sign for percentage):

\$200,000.00

Use maximum payout rate that meets 10% remainder requirement?

No

Unitrust payout rate:

5.0%

Unitrust type:

Flip

Year of flip triggering event:

2027

Payment frequency:

Quarterly

Whole months from annual valuation date to first payment date:

3

Investment Assumptions for Projections

Done

# Modelling The Donor's Flip CRUT

Flip Unitrust

first payment date:

Investment Assumptions for Projections

Change income/appreciation rates during gift term?

Yes

Initial rates

Sell all funding assets in first year?

Yes

Annual income rate:

0.0%

% of income exempt from tax:

0.0%

% of income taxed as qualified dividends:

0.0%

Annual appreciation rate:

0.0%

Annual asset turnover %:

0.0%

Cost of sale (% or \$):

6.0%

New rates

Done

# Modelling The Donor's Flip CRUT

**Flip Unitrust**

Cost of sale (% or \$):

6.0%

New rates

Year income/appreciation rates change?

2028

Sell all assets in year of change?

Yes

Annual income rate:

3.0%

% of income exempt from tax:

0.0%

% of income taxed as qualified dividends:

0.0%

Annual appreciation rate:

5.0%

Annual asset turnover %:

0.0%

Cost of sale (% or \$):

0.0%

Annual management fee (% of principal):

0.5%

Done

# Modelling The Donor's Flip CRUT

Assumptions

Date•Lives•Term

Gift Options

Tax Rates

**Presentations**

Personalization

Results

Presentations

Your Selections

Drag items to change order

Clear All

Long Description and/or Example

Summary of Benefits Projection

Investment Assumptions

Detailed Cash Flow Analysis

Taxation Schedule

## Common Fact Pattern for RE Flip CRUTs

OFTEN THE DONOR IS THE NICRUT TRUSTEE AND  
THE CHARITABLE ORG IS THE CRUT TRUSTEE

Introductory Donor discussions and due diligence

Is there a buyer? Is there a mortgage?

Charitable Flip Trust is drafted WITH DONOR as initial

Who is paying for the attorney? What are the expected terms?

Donor gets a 3<sup>rd</sup> part qualified appraisal as DONOR

No earlier than 60 days pre-contribution

No later than return when deduction claimed

Donor donates the Property to the Trust

Donor is the Trustee, but that doesn't make it simple

CONTINUED...

## Common Fact Pattern for RE Flip CRUTs

....

Donor sells property as Trustee – THE FLIP EVENT

The sales proceeds now sit in the trust, as cash

NOTE: In this calendar year, it is still a net income trust

Donor resigns and Charity accepts trusteeship

Next calendar year it becomes CRUT

Likely revalued on 12/31 or 1/1

# Common Fact Pitfalls for RE Flip CRUTs

## Trustee Responsibilities

Who signs the 8283?

If the property sells next year, can the initial trustee complete the trust tax return?

Is the Initial Trustee maintaining accurate records?

Don't Forget that its still a NICRUT until the next year

Any others?

## Fact Pattern: Retirement Flip CRUT

### The Society for Math:

- *We will draft, trustee, administer and invest the trust as long as:*
  - *The Trust is funded with at least \$250k and we are at least 50% remainder **irrevocable** beneficiary.*
  - *The default payout rate is 5% (we may go up to 7% in the right circumstances, but do they need to know that?)*
- *I already know that Bald Mountain Bank is our Investment Manager:*
  - *They say an 8% Portfolio return is appropriate: 5% Appreciation, 3% Income*
  - *They charge 0.5% management fee*

### The Donor:

- Greg Grant: age 60. No children. Grateful and consistent donor.
- Has a high paying and rewarding job in finance, but is cautious about retirement
- Wants to make a big charitable gift: \$500k of appreciated assets
  - \$300k cost basis
- Doesn't need income until early 70s
- A Deferred Gift Annuity would yield an 11.8% annuity rate starting in 2039
- **There's no way a CRT could match that income, right?**

# Modelling a Retirement Flip CRUT

**Gift Date•Lives•Term**

**Gift date:**

9/23/2026



**IRS discount rate:**

5.4% for September 2026

▼

**Gift term:**

☒ Lives

☐ Fixed term

☐ Lives & fixed term

**Ages or birth dates:**

☒ Ages

☐ Birth dates

**Age 1:**

60

**Age 2:**



**Year projection ends [life exp. = 2056]:**

2056

**Show present values for projected amounts?**

No

▼

# Modelling a Retirement Flip CRUT

**Flip Unitrust**

Property type:

Long term gain property

Value of property transferred:

\$500,000.00

Cost basis (enter % sign for percentage):

\$200,000.00

☐ Apply above to all gift options

Use maximum payout rate that meets 10% remainder requirement?

No

Unitrust payout rate:

5%

Unitrust type:

Flip

Year of flip triggering event:

2038

Payment frequency:

Quarterly

Whole months from annual valuation date to first payment date:

3

# Modelling a Retirement Flip CRUT

**Flip Unitrust**

Change income/appreciation rates during gift term?

Yes

▼

Initial rates

Sell all funding assets in first year?

Yes

▼

Annual income rate:

0.75%

% of income exempt from tax:

0.0%

% of income taxed as qualified dividends:

0.0%

Annual appreciation rate:

7.5%

Annual asset turnover %:

0.0%

Cost of sale (% or \$):

0.0%

# Modelling a Retirement Flip CRUT

## Presentations

### Your Selections

Drag items to change order Clear All

 **Taxation of Gift Annuity Payments**



 **Summary of Benefits Projection**



 **Detailed Cash Flow Analysis**



 **Income Projection Line Graph**



 **Taxation Schedule**

