PGM Anywhere & Charitable Remainder Trusts

September 9, 2026

What is a Trust?
What is a Charitable Remainder Trust?
How to determine how your organization uses CRT's

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How do these conversations start?

HYPOTHETICAL DONOR CONVERSATION #1a

Our friends have a charitable trust.
It pays them money,
then it all goes to charity.

…

Can your organization do that?

Great! Send me an illustration…

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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.

Charitable Remainder Trusts: The modern era

1969 Tax Reform Act created IRC §664

- Remainder Trust Rules:
  - Irrevocable Transfer of Property by Donor
- Split Interest Gift:
  - Income: Donor reserves the right to receive income
    - Or creates income interest for another/others
  - Charitable Remainder: Valid 501(c)(3) Organization
    - Donor entitled to a charitable deduction
    - Revocable or Irrevocable

“Two” types of CRT’s

Charitable Remainder *Unitrust*

Charitable Remainder *Annuity* Trust

(Net-Income and Flip Trusts come in week 3)

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Charitable Remainder Unitrust

The "CRUT"

Payout percentage is constant, but the trust is revalued annually:

Set percentage, but variable payments

Example: CRUT @ 5%

12/31/2026 valuation of $100,000 = $5,000 in total payments in 2027
12/31/2030 valuation of $90,000 = $4,500 in total payments in 2031
12/31/2040 valuation of $150,000 = $7,500 in total payments in 2041

Donor can make additions in the future

Classical Trust Issue***:***
How does this balance income/remainder tensions?

Charitable Remainder Annuity trust

The "CRAT"

Payout percentage is constant, based on the initial funding value:

Set payments for life

Example: $100k CRAT @ 5%

12/31/2026 valuation of $100,000 = $5,000 in total payments in 2027
12/31/2030 valuation of $50,000 = $5,000 in total payments in 2031
12/31/2045 valuation of $200,000 = $5,000 in total payments in 2041

Donor CANNOT make additions in the future

Must pass the 5% probability test: IRS discount rate v IRS tables

Classical Trust Issue***:***
How does this balance income/remainder tensions?

Charitable Remainder Trust Details

Duration:

- Life or Lives: no set number of lives, but subject to restrictions below
- Term: up to 20 years
- Lives and/or Terms: combination (e.g. “longer/shorter of lives or terms”)

Income Payout range:

- At least 5% and … no greater than 50%
- Any red flags here?

Remainder Interest:

- Must be at least 10% of the Fair Market Value of the Funding Assets
  - This generally matches the charitable deduction calculation
- Any red flags here?

Four Essential Questions for Establishing a CRT

- Who is Writing the Trust?
- Who is Serving as Trustee?
- Who is the Investment Manager?
- Who is the Administrator?

A few of the MANY Trustee Duties:

- Carry out the terms of the trust
- Keep/provide accurate records
- Prudently invest the property

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Trustee Responsibility Concerns

Donor or Charity as Trustee

Loyalty (No Self-Dealing): cannot use the trust for personal gain

Impartiality: Cannot benefit one beneficiary over another

Must follow the terms of the Trust…

Who is Drafting the Trust?

<u>Who is paying for this?</u>

Is your organization willing to be bound by those terms?

How much will your charity benefit?

Charitable Remainder Flavors

Irrevocable

100% for Charity A, as long as it is a valid 501(c)(3)…

Revocable:

100% for Charity A, or another valid 501(c)(3) organization to be chosen at a later date

Both:

50% for Charity A, and the remaining 50% also to Charity A…
…or to be chosen at a later date

Trust Administration Considerations

TO KEEP AND PROVIDE ACCURATE RECORDS

<u>Donor as Trustee (and beneficiary)</u>

Will they use a Trust Administrator, or do they expect you to provide one?

“This trust is for you, How about you file the taxes”

<u>Charity as Trustee</u>

Does your organization currently have a working relationship with a

Trust Administrator or possess the in-house competency?

Investment Management Concerns

Is the trust invested to balance the needs of the Income AND Remainder?

Wasting v. Speculative Assets

Trustee competence issues

Is the Total Portfolio appropriately diversified to reduce risk?

What is an appropriate portfolio for **Illustration Purposes**?

How do these conversations start?

HYPOTHETICAL DONOR CONVERSATION #1b

Great. Give me an illustration…

How to be ready for CRT Illustrations

Institutional Knowledge #1: Drafting

- Do we draft trusts?
  - If yes, what do we require?
    - Irrevocability is non-negotiable
    - Specific Charitable Deduction?
    - Minimum % of the Remainder?
    - Specific payout rate?
  - If no, be explicit:
    - We do not offer the drafting, do you already have a specific attorney in mind?
    - Do you have specific terms for your goals at our organization?
      - Plant the seed for a place at the table

How to be ready for CRT Illustrations

Institutional Knowledge #2: Trusteeship

- If your organization is willing to be trustee, do you insist on drafting?

- Similar requirements around drafting
  - Irrevocability is non-negotiable
  - Specific Charitable Deduction?
  - Minimum % of the Remainder?
  - Specific payout rate?

- If no, that doesn't mean you do not belong in the conversation!

How to be ready for CRT Illustrations

Institutional Knowledge #3: Trust Administration

KNOW WHO YOUR TRUST ADMINISTRATOR IS.

How to be ready for CRT Illustrations

Institutional Knowledge #4: Investment Manager

KNOW WHO YOUR INVESTMENT MANAGER IS

Internal v. External

HOMEWORK: What is an appropriate sample portfolio performance?

Overall AND broken down between Income and Appreciation

(“Past performance is never indicative of future performance”)

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Preparing a CRT Illustration

Questions for your donor

Are you planning to be the trustee?

Are you looking for a set income for life or variable with an ability to grow over time? (Don’t ask “CRAT or CRUT?”)

Are you hoping to accomplish something special at our organization with this gift?

Who will be investing the trust?

What is an appropriate sample portfolio performance?

(Overall AND broken down between Income and Appreciation)

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CRT Illustration Fact Pattern

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 (71) and Greta (70) Grantor are thinking “a $500k trust” but don’t know if they want steady or variable income
- Not interested in being trustee
- They sound like they don’t want to discuss this more: “I’ll get to work on this right away and let you know if I have any other questions”
  - Save the endowed fund discussion for next time.
  - Save the funding asset question for next time.

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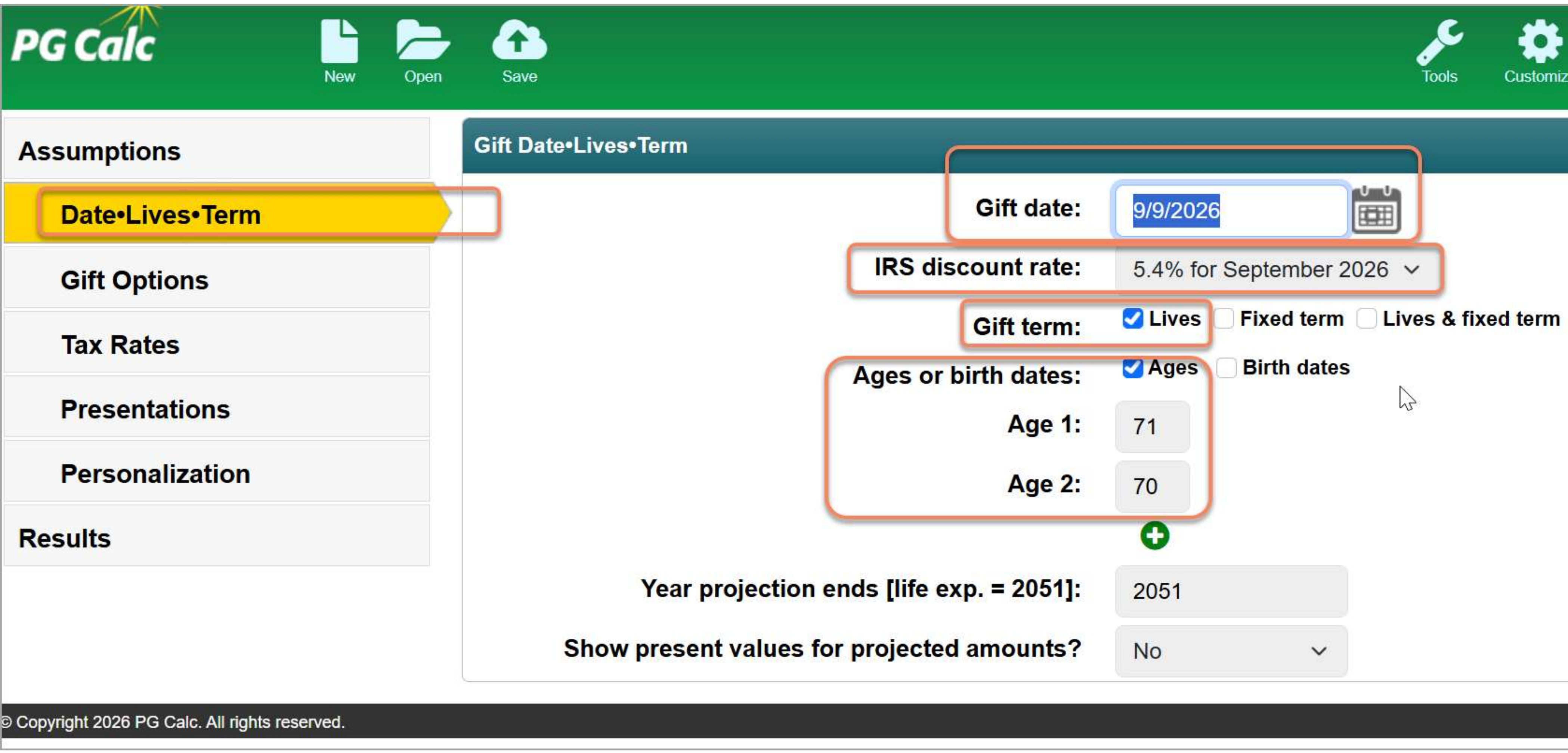
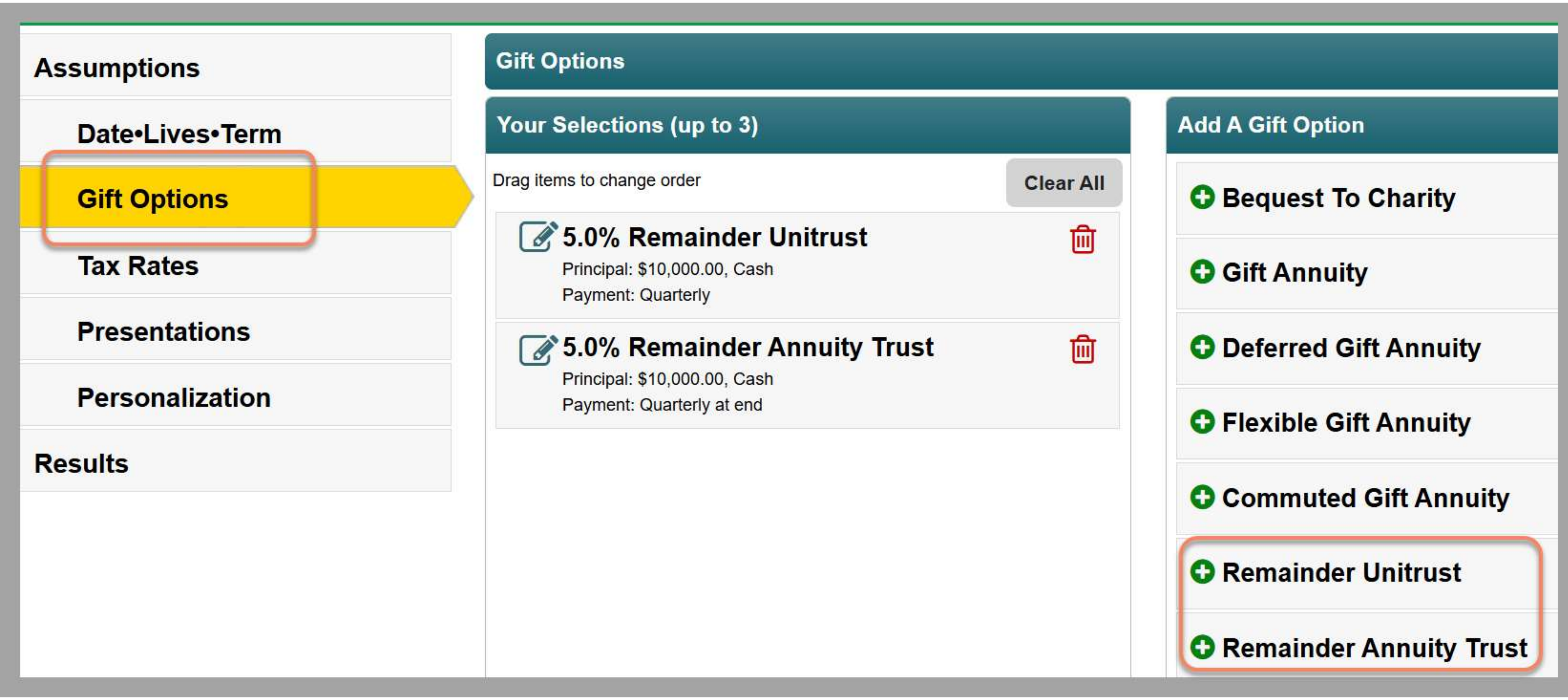
PGM Anywhere Illustration of a CRT



PGM Anywhere Illustration of a CRT



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PGM Anywhere Illustration of a CRT

Remainder Unitrust

Property type:	Cash
Gift amount:	$500,000.00
	☑ Apply above to all gift options
Use maximum payout rate that meets 10% remainder requirement?	No
Unitrust payout rate:	5.0%
Unitrust type:	Regular
Payment frequency:	Quarterly
Whole months from annual valuation date to first payment date:	3

Investment Assumptions for Projections +

Done

PGM Anywhere Illustration of a CRT

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Remainder Unitrust

Investment Assumptions for Projections

Change income/appreciation rates during gift term?	No
Sell all funding assets in first year?	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%

- [x] Apply investment %s to all gift options

Done

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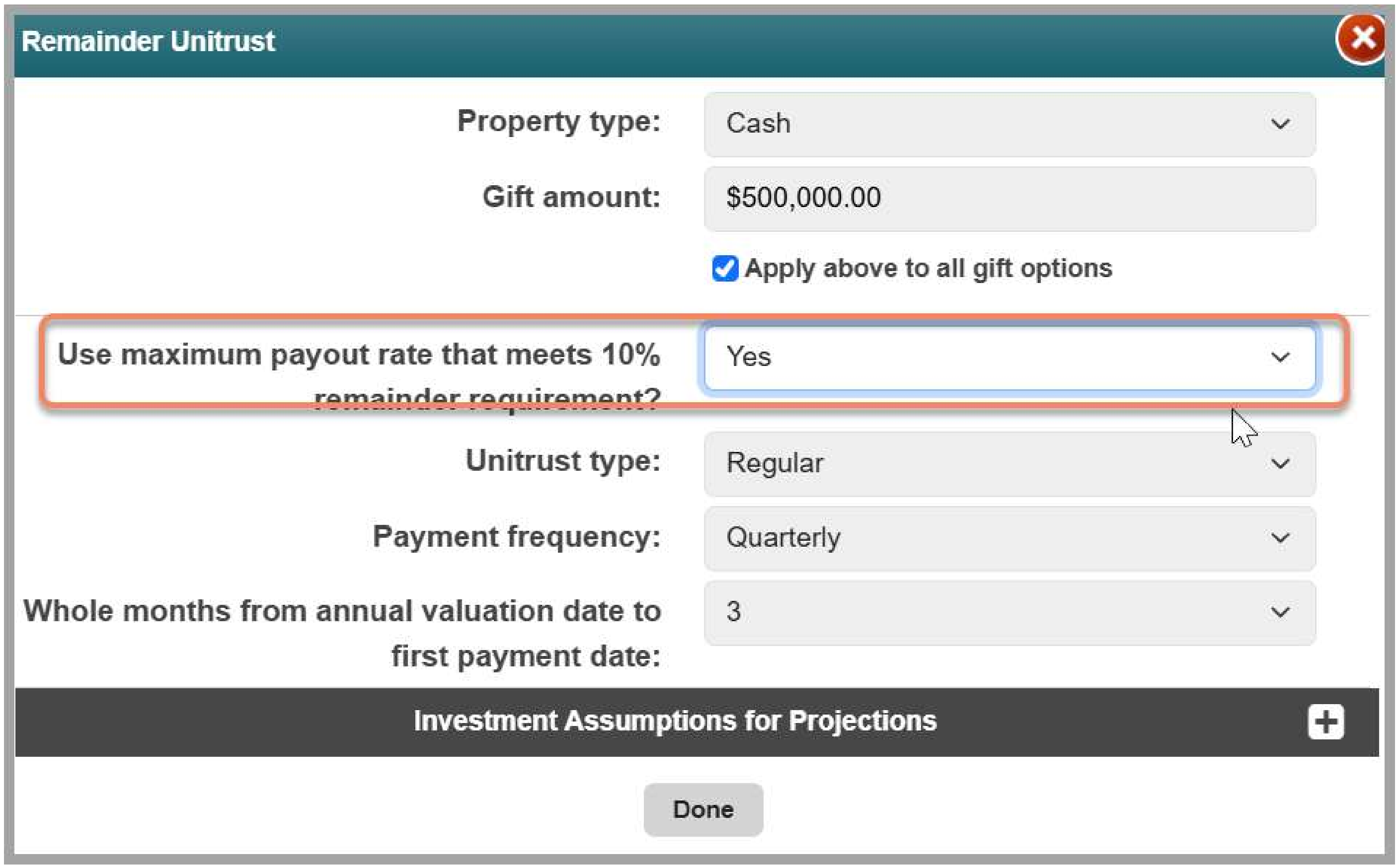
PGM Anywhere Illustration of a CRT



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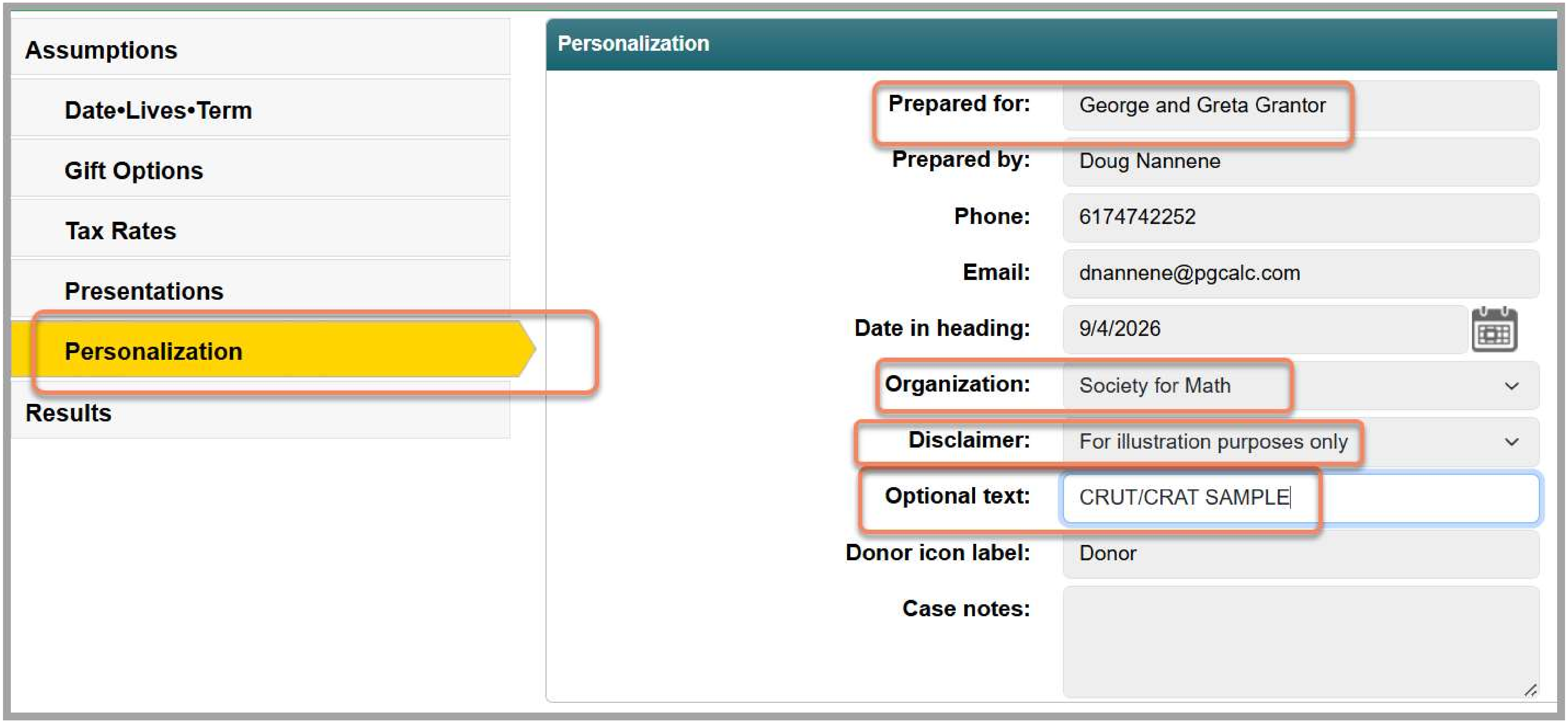

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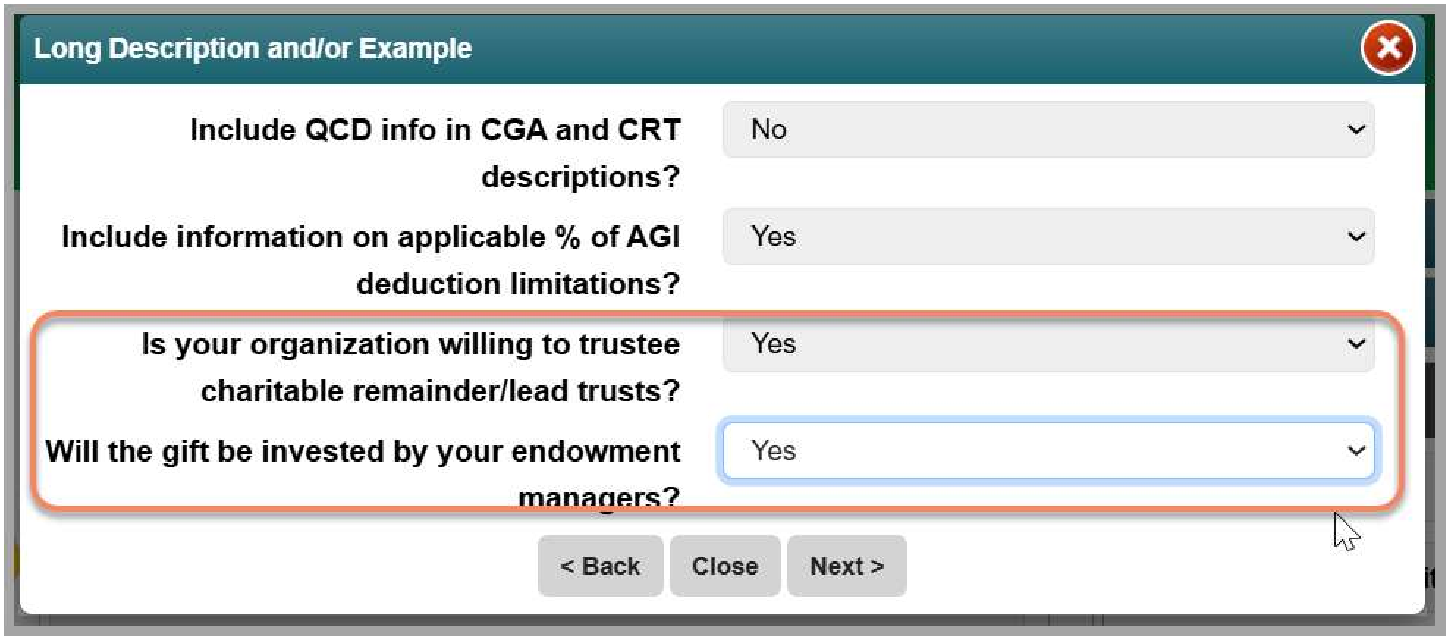

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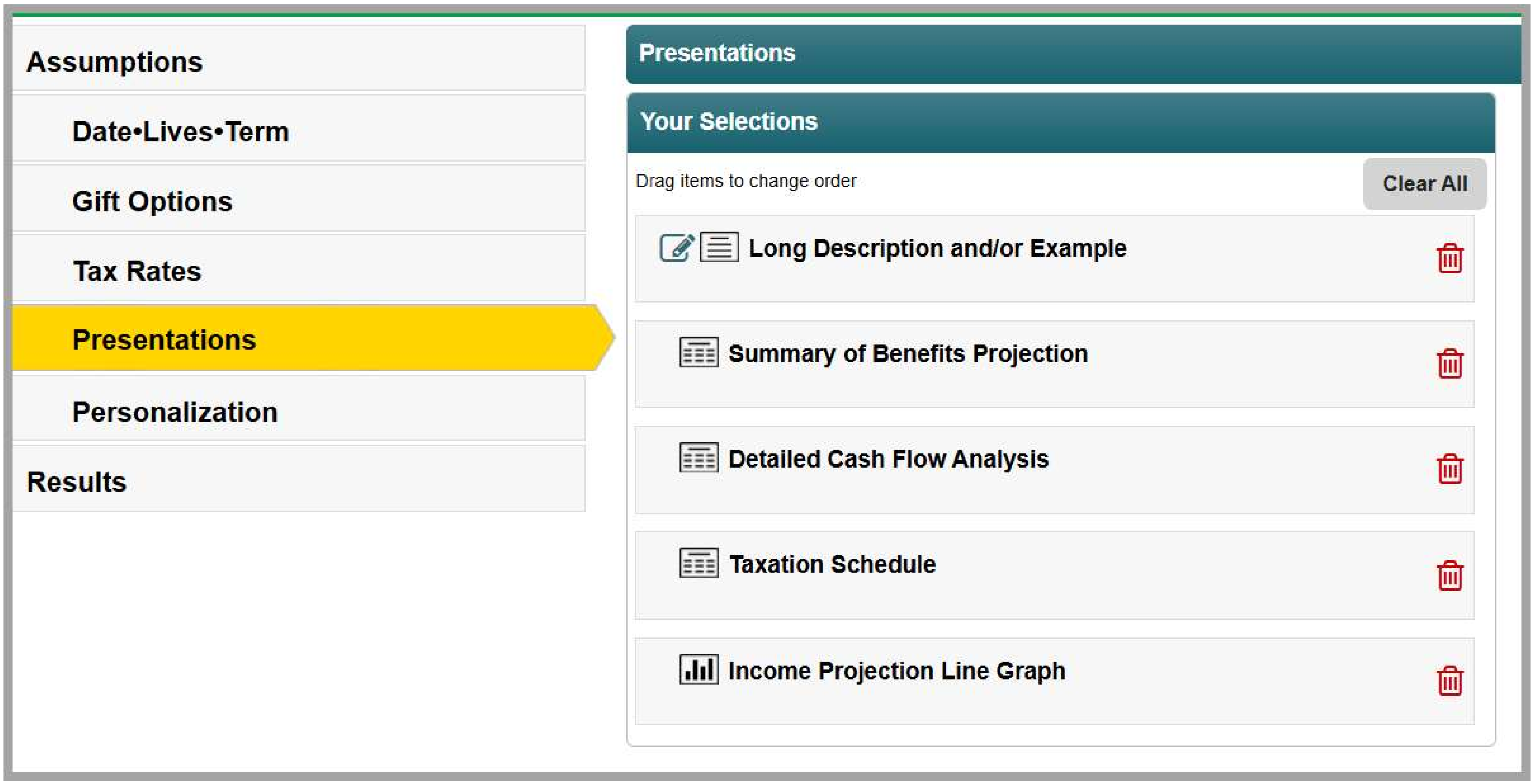

Let’s Look at the Results