


## Fundamentals of Planned Giving

### Part Four: Advanced Planned Giving Methods

**Presenter:** Craig Wruck  
Senior Advisor, PG Calc

**Date:** July 28, 2026

**Time:** 1:00 – 2:30 Eastern

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## Agenda

- Life income gifts
  - Charitable gift annuity
  - Charitable remainder trust
- Charitable lead trust
- Retained life estate

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## Life Income Gifts

Donor makes contribution now and receives income in return

- Amount of income can be fixed or variable
- Income can continue for one or more lifetimes, a term of years, or a combination of the two
- Income beneficiary can be donor or others
- Tax on long-term capital gains tax delayed or avoided
- Made during lifetime or in Will
- Life income gifts are **irrevocable**

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**PG Calc** YOUR PARTNER IN PLANNED GIVING SUCCESS **Life Income Gifts**

- Charitable gift annuity
  - Contract that promises fixed payments for life provided in exchange for an irrevocable contribution now
- Charitable remainder trust
  - Separate legal entity accepts contribution, holds & manages assets, makes payments to beneficiaries, distributes remainder to charity
  - Annuity trust pays fixed dollar amount
  - Unitrust pays fixed percentage of trust value
- Pooled income fund

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**PG Calc** YOUR PARTNER IN PLANNED GIVING SUCCESS **Charitable Deduction**

- Split interest contribution
  - Right to receive payments
  - Right to hold remainder
- Donor retains right to payments, contributes right to receive remainder in the future
- Charitable deduction for calculated present value of the right to hold the remainder
- Older (or fewer) beneficiaries or lower payout yields larger deduction

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**PG Calc** YOUR PARTNER IN PLANNED GIVING SUCCESS **Charitable Gift Annuity**

- Donor makes an irrevocable contribution to charity
- Charity issues contract promising to pay fixed amount annually for life
- Amount of payment is determined at time of gift and cannot change
- Taxation of payments:
  - Ordinary income
  - Tax-free income
  - Capital gain income

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### Charitable Gift Annuity: An Exchange

Donor gives money or property to charity

Charity promises to make annual payments to annuitant

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### Charitable Remainder Trust Relationships

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    graph LR
      A[Grantor / Donor] --> B[Trustee]
      B --> C[Income Beneficiary]
      C --> D[Remainder Beneficiary]
  
```

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### Charitable Remainder Trust

Requirements to qualify as CRT

- Remainder irrevocably directed charity
- Not perpetual: lifetimes, term of years, or combination of the two
- Income beneficiaries must be living at time trust is created
- Must make payments to beneficiaries at least annually
- Must be either "annuity trust" or "unitrust"

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## Charitable Remainder Unitrust Types

- **Standard (SCRUT, Type I)** – principal can be distributed if needed to make payment
- **Net income (NICRUT, Type II)** – beneficiary receives unitrust % or net income (dividends & interest), whichever is less
- **Make-up (NIMCRUT, Type III)** – Type II, but can make up past deficiencies with excesses in future years
- **Flip Trust** – begins as Type II or III, but can become Type I in the future after a triggering event (e.g., sale of real estate, occurrence of specific date)

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## Negotiating CRT Payout

- Fixed at the time trust is created
- 5% minimum
- At least 10% deduction value to qualify
- Higher payout reduces the charitable deduction
- Lower payout can afford growth
- Selecting a payout higher than expected investment return can reduce payout amount over time

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## Effects of High Payout Rate

Charitable Deduction for \$500,000 Contribution to a Unitrust						
Payout Rate:	5%	6%	7%	8%	9%	10%
One Life 72	\$265,620	\$236,870	\$212,075	\$190,630	\$172,030	\$155,840
Two Lives 72	\$211,540	\$179,290	\$152,325	\$129,740	\$110,795	\$94,870

IRS Discount Rate is 5.0%

Additional consequences when CRT payout rate is higher than expected annual net total investment return:

- SCRUTs and CRATs are forced to distribute principle which reduces remainder available for charity
- Future SCRUT payout will decline as principle value decreases
- In pursuit of higher return, trustee may accept greater investment risk increasing variability in year-to-year performance

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### Retained Life Estate

- Donor irrevocably contributes home or farm now but retains lifetime right to live in and use it
- Income tax deduction now for calculated value of charity's right to the property after life tenancy ends
- Donor continues to pay expenses for taxes, maintenance, et cetera

Retained Life Estate in a Personal Residence or Farm	
Life Tennant age	72
Value of Property	\$500,000
Value of Buildings	\$350,000
Useful Life of Buildings	40 years
Salvage Value of Buildings	\$90,000
Charitable Deduction (CMFR = 5.0%)	\$228,350

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### Questions?



Click the Q&A icon at the bottom of your screen.

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### Still Have a Question?

**Contact:** Craig Wruck  
**E-mail:** cwruck@pgcalc.com

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