Wealth replacement with a charitable remainder trust (CRT)

Turning tax dollars into charitable dollars

You want to make a donation to your favorite charity. But you don't want to disinherit your family. A charitable remainder trust (CRT) is a **wealth replacement strategy** that can help you do that by combining these three tools:

- A charitable remainder trust;
- A life insurance policy; and
- Possibly an irrevocable life insurance trust (ILIT).

CRT strategy uses life insurance to replace the value of estate assets you donate to charity – and can help assist in lowering estate taxes.

Wealth replacement is an ideal strategy for people who:

- **Have capital gains tax issues and want to diversify**
- **Wish to give to a favorite charity at death**
- **Have large individual retirement account/other qualified plans**

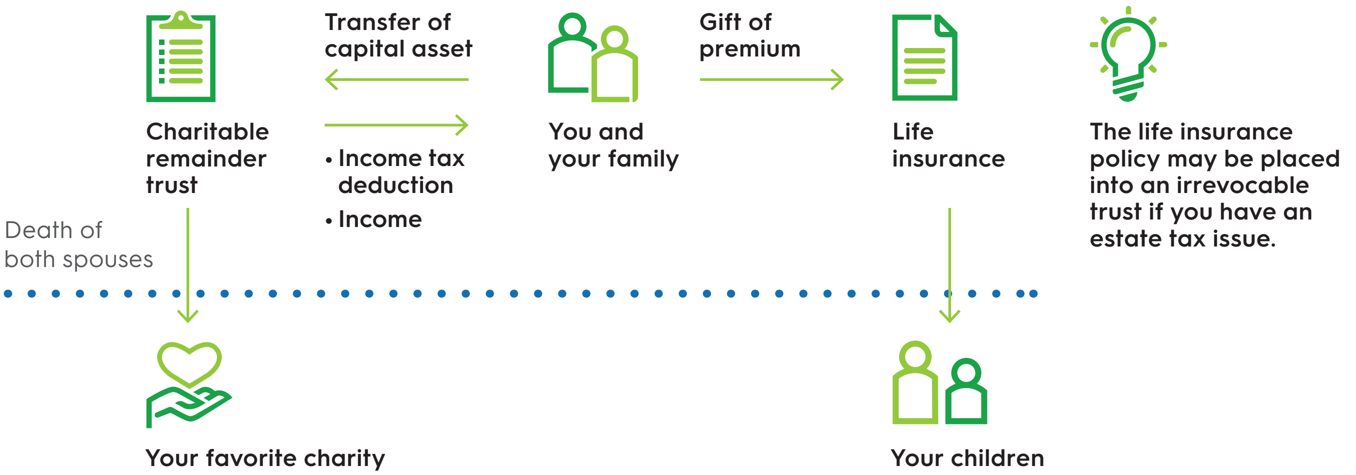
How wealth replacement with a charitable remainder trust (CRT) works

1. Establish a CRT and transfer property to the trust. The trust will pay income to you.
2. Apply for life insurance equal to the value of the donated property.
3. Life insurance premiums can be paid with the income from the CRT or other assets.
4. At your death,[1] the trust property goes to the charity and the life insurance benefit to your family – or to an ILIT on behalf of your family.

Learn more

Need help finding customized life insurance solutions for your estate? Talk to your financial professional today to learn more about your wealth replacement options – including using a charitable remainder trust.

Wealth replacement with CRT



Benefits

- Fulfill the donor's goal of making a substantial charitable gift.
- You receive an income tax charitable deduction for the present value of the charity's remainder interest in the CRT in the year the gift is made, or an estate tax deduction when the retirement assets go to the charity. You replace all or a portion of the assets donated with life insurance to benefit your heirs.
- When properly arranged, the wealth replacement strategy removes both the donated property and the life insurance from your gross estate for federal estate tax purposes.

Considerations

- Strategy is dependent on your insurability.
- Charitable remainder trusts can be complex.
- Premium payments for replacing the exact amount going to charity may not be financially feasible, as the owner may need to increase premium payments to keep the policy in force.

1. If owner/insured are different, the death benefit will be paid upon death of the insured.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first fifteen years of the contract. You should consult your tax advisor when considering taking a policy loan or withdrawal.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

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