



# A GIFT THAT BENEFITS YOU AND MASS GENERAL



A **charitable remainder trust** allows you to make a substantial gift while receiving an income. Charitable remainder trusts can be funded with a combination of cash, securities and, in some cases, real estate.

You have accumulated a variety of assets during your life including securities, real estate and closely held business interests. Your financial goals change as the value of your investments have grown. The challenge for many people is converting appreciated property into cash triggers capital gain tax. A life income gift such as a charitable remainder trust can provide you with income while minimizing capital gain tax and generating an income tax charitable deduction.

## HOW IT WORKS

A charitable remainder trust can pay income to you and/or whomever you choose for life. The charitable remainder trust is tax-exempt and gifts of appreciated property to the trust does not trigger a current capital gain tax. The charitable remainder trust has the double benefit of minimizing capital gains tax while offering an income tax charitable deduction

After accounting for the capital gain tax savings and income tax savings, your after-tax income from a charitable remainder trust could be higher than your income from the assets you contribute to the trust. If you want trust income paid as a fixed amount on a set schedule, then a charitable remainder annuity trust may be the right choice for you. If you want a potential hedge against inflation, then a charitable remainder unitrust may be a better option.

## THE BENEFITS

- The trustee handles investment and trust administration responsibilities.
- You and your selected beneficiaries will receive income from the trust.
- You may have income and capital gain tax savings.
- Your gift enables Mass General to continue its mission of providing quality patient care through cutting edge research, education and community health initiatives.

## COMMON QUESTIONS

### How do I establish a charitable remainder trust to benefit Mass General?

- Your lawyer prepares an agreement that meets IRS requirements for the trust to be tax-exempt.
  - You select a trustee to administer the trust. You can be the trustee, but it is customarily a bank or trust company. Mass General can act as trustee in partnership with State Street Charitable Asset Management.
  - You name the individuals to receive income from the trust and the charities to receive the remaining assets when the trust terminates.
- You transfer cash or appreciated assets to the trust and receive an income tax charitable deduction for a portion of the fair market value of the assets. In most cases for appreciated assets, the trustee sells the assets. No capital gains tax is due.
  - The trust agreement states a payout rate of your annual distributions, typically around 5%.

### How would my annual payments be calculated?

- With a **charitable remainder annuity trust**, the amount distributed is calculated by multiplying the fair market value of the assets originally contributed to the trust times the payout rate. The amount distributed is fixed for the life of the trust. Additional contributions to an annuity trust are prohibited.
- With a **charitable remainder unitrust**, the trust assets are valued annually and multiplied by the payout rate to determine how much the trust will distribute the following year. The amount distributed may increase or decrease annually depending on the investment performance of the trust assets. While the goal is for trust distributions to increase, it depends on how the trust investments performs, which cannot be guaranteed. Additional contributions can be made to the trust at any time.

## NEXT STEPS?

Please contact our Office of Planning Giving at (617) 643-2220 or at [mghdevpg@partners.org](mailto:mghdevpg@partners.org).

You should consult your legal, financial and tax advisors when considering this gift arrangement. We can explore gift options that work for you and can help Mass General.

Mass General encourages donors to consult with their tax and legal advisors when considering these gifts.