Amherst College

Charitable Remainder Trusts

Make a Gift & Receive Income For Life

Do you have an asset, such as securities or real estate, that you would like to give to Amherst College, but you would prefer to keep the income the property provides? Or you have an asset from which you would like to receive more income, but you hesitate to sell it because taxes on your capital gain would take a big bite out of your proceeds. If so, you should consider donating your asset to a charitable remainder trust.

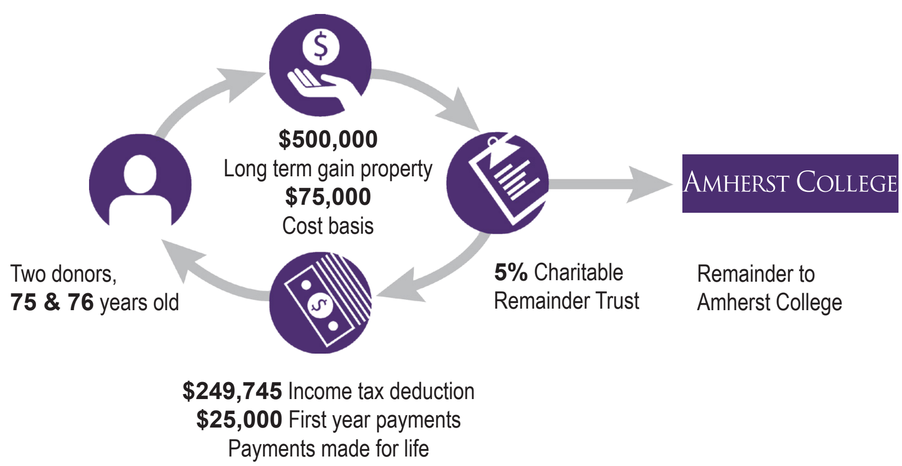
With a charitable remainder trust, you can make a gift to Amherst College and receive lifetime income. Because a charitable remainder trust is tax-exempt, there is no capital gains tax when the trust receives your appreciated assets or when it sells them. The trust can put the full fair market value of your asset to work first for you and ultimately for Amherst College. In addition, you receive an immediate income tax charitable deduction.

How charitable remainder annuity trusts work:

- You transfer assets to a trust.
- You choose a trustee to oversee the operation of your trust or serve in that role yourself.
- You choose the income beneficiaries of the trust. It can be you, you and your spouse, loved ones, devoted employees, or anyone else you wish. The trustee manages the trust assets and pays income each year to these beneficiaries.
- Each year, your trust will distribute a fixed percentage of its current value. If your trust's value goes up from one year to the next, the payments will increase proportionally. Likewise, if your trust's value goes down, the payment amount will also go down. You choose the percentage that your trust must pay each year to its income beneficiaries. It may be to your advantage to choose a relatively low payment percentage so that your trust's assets have the best chance to grow. If the value of your trust grows, so will its payments. A payment rate of 5% is typical.
- When the trust term ends, usually upon the passing of the income beneficiaries, the remaining assets go to Amherst College.

EXAMPLE: Charitable Remainder Trusts

John is 75 years old and his wife, Audrey is 76. Many of the stocks in their portfolio have appreciated substantially in value over the many years they have owned them. They are enthusiastic about making a major gift to support Amherst College, but they also would welcome a way to receive greater income from their investments without paying a big capital gains tax.



After consulting with their advisor, John and Audrey find that a 5% charitable remainder trust funded with $500,000 in assets will meet their needs perfectly. They fund their trust with $400,000 in stocks plus $100,000 from a money market fund. They paid a total of $75,000 for the stocks, which currently produce about 2% in dividends each year. Their money market fund has been earning about 2% interest annually.

Benefits

- John and Audrey will receive $25,000 in payments in the first year of their trust, significantly increasing the income they had been receiving from these assets. If the income and appreciation of the trust's investments, net of costs and fees, total 7% annually, their payments will grow to over $33,647/year* in 16 years.
- John and Audrey will receive an immediate income tax charitable deduction of about $249,745**.
- John and Audrey's trustee will be able to sell their stock immediately in order to diversify their trust's investments without paying any capital gains tax.
- Assuming its investments earn a 7% net annual return on the trust's investments, over $686,393* will be left in the John and Audrey's trust to support Amherst College when their trust terminates.

*The future payment amounts and principal amount remaining for Amherst College will be lower if the John and Audrey's' trust earns less than 7% annually.
**The John and Audrey's' income tax charitable deduction will vary slightly depending on the timing of their gift.

"As I look back, my time at Amherst has aged very well. Those four years have become an ideal. I appreciate them more now, and I cherish that. I want to do my part to make the same possible for the generations that follow."

— Michael Barach '80

NEXT STEPS:

To receive further information and assistance on a charitable remainder trust, or to learn more about how your gift can help Amherst College, please contact Julie R. Lackner, JD.

- call **(413) 542-5193**
- email **jlackner@amherst.edu**

* Because everyone's situation is different, we encourage you to seek professional legal, estate planning, and financial advice before deciding on a course of action. This information does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice.

Please note: All life income gifts to Amherst must have a 25% remainder gift to the College per our gift acceptance policy.

AMHERST COLLEGE

By supporting Amherst College with your gifts, you are helping us educate men and women so that they may seek, value, and advance knowledge, engage the world around them, and lead principled lives of consequence.

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