Charitable Remainder Flip Unitrust

Fundamentals to Remember:

A flip unitrust donor irrevocably transfers illiquid assets, such as real estate to a trustee of choice.

During the unitrust's term, the trustee invests the unitrust's assets and makes payments each year to one or more income beneficiaries named by the donor.

Life Income:

In the years prior to selling the funding asset, the trustee pays the donor a fixed percentage of the unitrust's value (as valued annually)

or

The donor is paid the income earned by the trust – whichever is less. The trust's principal is not invaded to make a distribution during the time the funding asset is held in the trust.
After the funding asset is sold, donor receives a fixed percentage of the unitrust's value, regardless of the income earned by the trust. (The percentage may be between 5% and 50%).

Remainder Beneficiary:

When the unitrust ends, the unitrust's principal passes to the charitable beneficiaries (St. Vincent Healthcare Foundation) to be used for the designated purpose (Leave No Child Behind Endowment).

Indications:

Donor is reluctant to sell property because:

- Does not want to pay gain taxes on highly appreciated property;
- Does not want the hassle of dealing with the sales process;
- Does not want to lose income from property;
- May be emotionally tied to property (belonged to parents, etc.)

Benefits:

Establishing a CRT is relatively easy. Sale becomes the responsibility of trustee.
Realtor lists property and receives commission through the trust when it's sold.
Donor receives income for life.
Property is removed from donor's estate, thereby reducing donor's estate taxes.
Gift provides generous support to charity of the donor's choice.

Contact: Joan Hendricks, Senior Philanthropic Advisor, SVH Foundation, 1106 N 30th, Billings, MT 59101; 406/237-3639; e-mail: joan.hendricks@svh-mt.org