Charitable Remainder Trusts: They Don't Have to Lockup Assets for Life

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Some Taxpayers Worry that Using a CRT Ties up Assets For Life

- CRTs do not necessarily tie up assets for life.
- While most CRTs will remain good fits for taxpayers throughout their lifetimes, certain situations (often related to a major life event) can lead to misalignment between the taxpayer's current situation and the CRT they established many years before.
- At the CRT's inception, or even when discussing the CRT conceptually taxpayers should understand that at anytime they have the ability to make changes to a CRT plan.

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Options to Consider

- Sell their income interest for cash.
- Terminate the CRT and accept the 7520 valuation for their income interest.
- Give their income interest to the CRT's remainderman (thus terminating the CRT) and receive an additional tax deduction.

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Options to Consider (Continued)

- Use their income interest to create a new CRT with different terms ("CRT rollover").
- Understanding these options will leads to more CRT creations. Why? If a client understands that a CRT isn't necessarily a lifetime obligation, they are often more willing to pull the trigger on creating one in the first place.

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Additional information

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