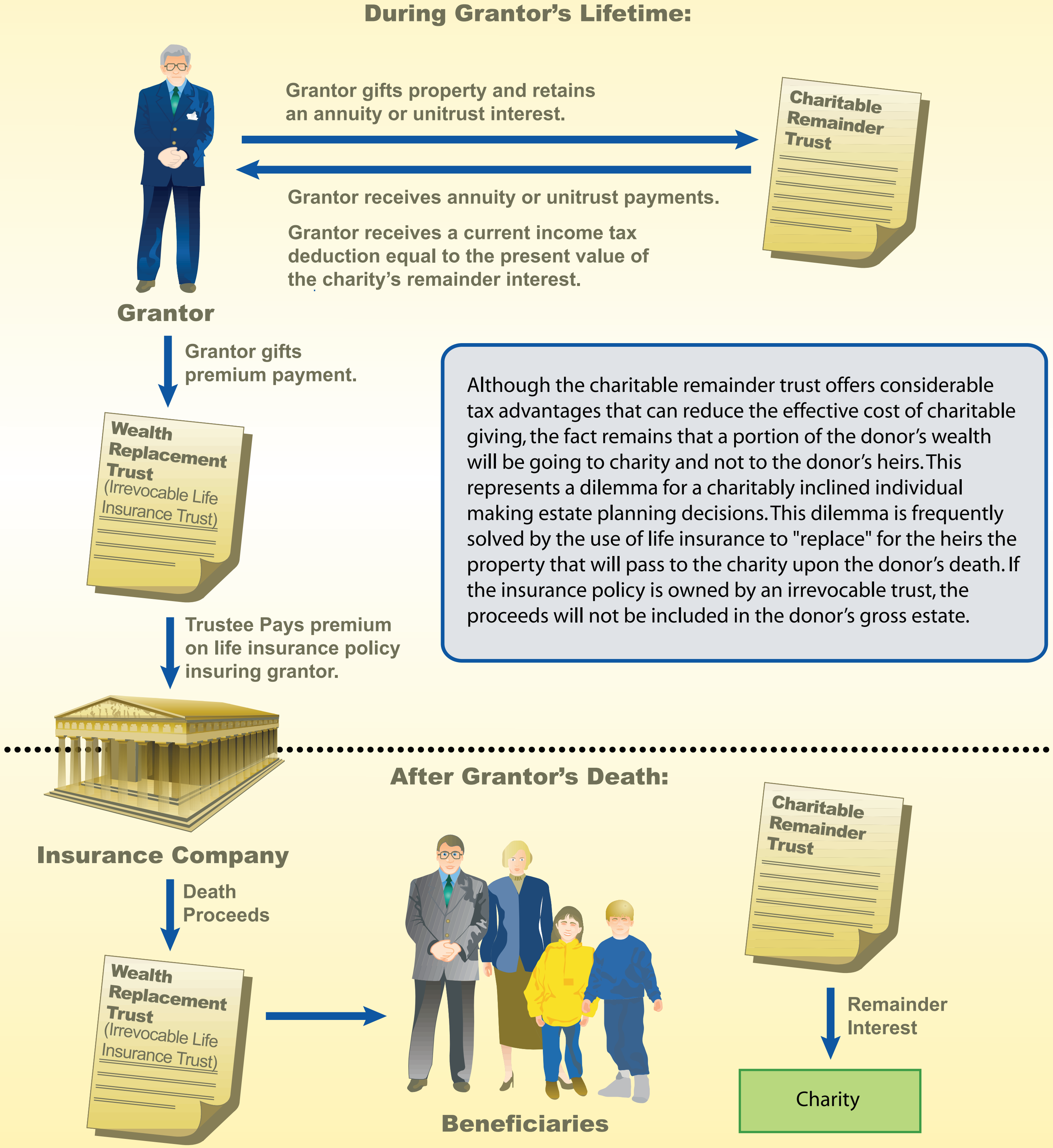
Charitable Remainder Trust and Wealth Replacement Trust

Often a donor does not want to give property outright to a charitable organization, but is willing to give the charity a limited interest in it. For example, the donor may want the income from property for life, but wants the property to go to a charity at his or her death. In this situation, the donor could establish a charitable remainder trust.



Although the charitable remainder trust offers considerable tax advantages that can reduce the effective cost of charitable giving, the fact remains that a portion of the donor's wealth will be going to charity and not to the donor's heirs. This represents a dilemma for a charitably inclined individual making estate planning decisions. This dilemma is frequently solved by the use of life insurance to "replace" for the heirs the property that will pass to the charity upon the donor's death. If the insurance policy is owned by an irrevocable trust, the proceeds will not be included in the donor's gross estate.

For discussion purposes only. This chart illustrates generic situations and does not represent tax or legal advice.