

Charitable Remainder Trusts

Part II: The Miracle of Multigenerational Growth

By Leigh Harter and Margaret Stout

In this second part of a two-part article, Leigh Harter and Margaret Stout illustrate how the stewardship principles on which charitable remainder trusts are modeled can provide increasing charitable giving capacity as well as security for a family through multiple generations. These trusts present unique opportunities for families of even modest circumstances to make a contribution to the greater community while maintaining their family security and inheritance.

Introduction

This two-part series discusses both the philosophy and nuts and bolts of Charitable Remainder Trusts (CRTs) and Unitrusts (CRUTs) in particular. Part II will focus on how to make these tools do the work for which they were intended, to build wealth for self-sufficient families and to generate income for the nonprofit sector in order to ensure social values without reliance on government and taxes. The manner in which compound interest works through this multigenerational tool is nothing less than miraculous. The illustrations will show how starting with a very modest retirement fund, any family can join the ranks of Rockefeller and Gates. Before we delve into the details of compounding and the stunning fact that this is a strategy that has remained essentially unchanged for almost 40 years, we must acknowledge that the current modest capital gains tax rates have put CRTs in the shadow. Even if you discount the long-term impact of compounding within a net income makeup charitable remainder

unitrust and have reservations about acknowledging it as a tool for intergenerational planning, it still has one amazing use as a tool for the shorter term. Assets subject to ordinary income tax can be sheltered in a CRT. An artist or a novelist can periodically contribute their works to a CRT and retain them there until they are inclined to sell and protect the income. For an artist who would typically be subject to taxes on what is normally considered ordinary income the value remains within the trust and can generate revenue without creating tax liability. Slightly more complex structures can provide even better shelter with the ultimate outcome being a benefit to the charitable intent of the donor as well as both an income stream and shelter from the impact of current taxation.

Patterns of Giving

In the first half of this series, we discussed various motivations for giving and the manner in which philanthropic and financial incentives can be combined to best meet complex interests. We now turn to how financial incentives differ between those offered to the living versus those given at death. In 2006, there was an estimated \$295 billion in charitable contributions, of which at least \$17.4 billion were

Leigh Harter is the Managing Director of the Insurance Design Center, Deerfield, Illinois.

Margaret Stout, Ph.D., is an Assistant Professor of Political Science at Bridgewater State College, Bridgewater, Massachusetts.

estimated to be charitable bequests. According to the American Association of Fundraising Counsel, in 2000, there were \$203.5 billion in charitable gifts, of which 75 percent were made by living individuals (\$152.1 billion) and eight percent were made by bequests.¹ It is important to note that CRTs are somewhat of a hybrid in that they are made by the living, but accrue to the charity at death, and it is unclear how these gifts are tabulated by statistical reports. Technically, they should be counted as living gifts, as the charitable gift and tax deduction are shown at a future value of the assets at the time of trust creation based on life expectancy.

It is interesting to note that according to the IRS Statistics of Income (SOI) data, while charitable contributions fluctuate over time, the proportion of giving between charitable bequests, corporate contributions, and individual contributions has remained fairly stable, at least from the period 1985 to 1997. Unfortunately, there is only a small amount of data available for 1975 and after, without any data analyzed for the period immediately preceding and following the introduction of the CRT laws.

Many studies have found that high income households are more likely to make charitable contributions, and to give a proportionately larger percentage of their income, at 3.3 percent.² Schervish and Havens³ have studied extensively the relationships among income, wealth, and charitable giving. They found that lower-, middle-, and high-income households (up to about \$200,000 per year) contribute about the same proportion of their income, while very wealthy households give a larger share. Lower income households were found to be less likely to donate to charity and contribute smaller percentages of income, at about 1.5 percent of their income. A small dip in the rising percentage trend occurs in the upper middle incomes, creating a U-shaped pattern.⁴^{5, 6} "The very wealthy also bequeath a significantly larger percentage of their assets to charity than decedents with estates under \$10 million."⁷

However, more recent research has refuted the U-shaped giving pattern. Instead, giving percentages remain flat then curve upward after \$125,000 in annual income.⁸ At all income levels, a small proportion of families actually give the most, indicating that charitable giving is not a factor of income, but rather

some other characteristic that separates high giving members of all economic classes from their peers.^{9, 10} It would be most interesting to know if these patterns of giving extend across time through generations of the same families. According to the SOI, estates less than \$4.2 million tend to fund a broader range of charities, while those more than \$4.2 million predominantly (71 percent) fund foundations.¹¹ Thus, it would appear that the middle class and moderately wealthy fund differently, both in the proportion and allocation of their giving.

New tools are being developed to facilitate giving, such as the investment company charitable gift fund that functions very similarly to community foundations and CRTs, including examples such as the Fidelity Investments Charitable Gift Fund, the Vanguard Charitable Endowment Program, and the Schwab Fund for Charitable Giving.¹² Investments in these funds provide an income tax deduction and capital gains taxes are avoided.

During life, the donor directs the fund and may make charitable donations out of it, while the remainder at death stays with the fund.¹³ Many community foundations provide a similar "donor-directed" service to families who do not wish to create independent foundations: "Establishing a Donor Advised Fund allows you to make a gift to your community foundation, then remain actively involved in suggesting uses for your gift."¹⁴ However, foundations also welcome charitable bequests in all forms, including the CRUT. This is an example: "Charitable Remainder Trusts. Through an irrevocable trust, you receive fixed or variable payments for your lifetime or a term of years. The remainder passes to ACF, creating a permanent fund in your name to benefit the charitable cause that you designate, or to establish a family foundation at ACF."¹⁵

Foundations are in essence "the brokers of effective philanthropy."¹⁶ According to the Foundation Center, while some are corporate foundations (4.0 percent) and community foundations (1.0 percent), the majority are independent (89.3 percent) and operating foundations (5.7 percent).¹⁷ Independent foundations are usually established by an individual or family. Because of their long history as the domain of the very wealthy, they have been "labeled as self-serving hobbies of the rich."¹⁸ While some of the largest fam-

The manner in which compound interest works through this multigenerational tool is nothing less than miraculous.

ily foundations were formed in the early 20th century, there was a boom of new foundations in the period after World War II when estate taxes were very high. After the Tax Reform Act of 1969, the new restrictions on charities and foundations slowed the trend until the sharp rise in response to high-technology and stock market fortunes in the 1980s and 1990s.¹⁹ These trends support the idea that when tax benefits are absent, only the very wealthy tend to continue to endow foundations.

The SOI Division of the IRS provides information about charitable remainder trusts. While this information began with an analysis of 2005 tax return data for all existing trusts, it provides a good overview of the impact of these tools.²⁰ In 2005, there were 116,446 trusts, 81.4 percent of which were CRUTs and 18.6 percent of which were CRATs. Of the 94,779 CRUTs, the fair market value of the total assets was over \$95 billion. A total of \$8.4 billion had been distributed to life beneficiaries. Clearly, this is a substantial portion of the economy, and represents over 22 percent of the total assets held by independent foundations. However, what is particularly interesting is the size of these trusts. Rather than imagining the Bill and Melinda Gates variety of family foundations, CRUTs are being utilized in a manner much more approachable to a middle class family. Of all existing CRUTs in 2005, nearly 70 percent were valued under \$500,000, while less than four percent were valued at over \$3,000,000 (with the remainder in the range between).²¹ These empirical observations tend to support the thesis that CRUTs are an important tool for the moderately well to do.

An Explanation of the CRT Vehicle

Charitable remainder trusts are a form of split interest trust that “splits” the value of the assets between private individuals and charitable nonprofits.²² There are three main forms: pooled income funds, charitable lead trusts and charitable remainder trusts.²³ Of the latter category, there are Charitable Remainder Annuity Trusts (CRATs) and Charitable Remainder Unitrusts (CRUTs). Like other annuities, a CRAT pays out a fixed sum of money each year to its beneficiaries, while a CRUT pays out a percentage. The CRUT format permits additional contributions if prorated correctly; the annuity trust does not.²⁴ While they are very similar in nature, the specific focus of this article is the CRUT.

Tax law requires that the establishment of a CRUT requires that at least 10 percent of the fair market

value of the net assets placed in a CRUT will remain for a charitable bequest after an estimated actuarial life expectancy of the beneficiaries is calculated, or following a term certain not to exceed 20 years. Furthermore, the minimum amount paid out annually must be at least five percent of the fair market value of the assets, while up to 50 percent may be paid out, so long as the required 10 percent gift remains. A net income makeup charitable remainder unitrust (NIM-CRUT) pays out the lesser of either a fixed percentage of the fair market value of the assets or the trust’s actual income for the year. The NIM-CRUT allows distributions to be more variable according to the actual income earned by the trust assets by making deficiencies up in later years to protect the trust’s principal in low-growth years.²⁵ If taxable trust income is greater than the five-percent required payout then this income must be paid to the trust beneficiaries. This is why the assets in these trusts are often invested in low-income assets with potential for growth in principle. At retirement the composition of trust assets can be changed to enhance the income producing capacity of the trust. A NIM-CRUT can be invested in assets that do not throw off any taxable income (for example, tangibles such as art, variable annuities or growth stocks without declared dividends). The net income make-up provision allows the trust to accumulate cash without income being forced out to pay the required annual payment to the beneficiary. This provision provides tremendous flexibility in planning for both capital appreciation and income distribution within the trust. The beneficiary can then “make-up” the income not received at a later time when the trust assets are re-allocated into investments that are income producing.²⁶ “In short, they are hybrids that combine many features of 501(c)(3) ‘charitable’ tax-exempt organization with the features of simple (private) trusts.”²⁷

The Technical Approach

To better understand the technical approach to CRUTs, a literature search back to 1990 was conducted. It was noted that CRTs are being discussed less frequently as time passes. More importantly, the vast majority of the literature uses a short-term, one-lifetime view on the use of CRUTs, and they are primarily geared toward tax advantages in terms of both income and estate tax avoidance or deferral. Few works show even a testamentary transfer to children, let alone grandchildren. Even Conrad Teitell suggests leaving an IRA to a child in a CRT only to mitigate

the effect of the confiscatory taxes assessed on IRA balances at death.²⁸ In another article discussing the advantages of CRTs, the authors state, “Planners should carefully look at the impact of multiple versus single ... [generation trusts],” but the authors did not further discuss the subject due to its complexity and the brevity of their article.²⁹

The problem with the analysis of the CRUT as a one life or survivorship tool promoted as a tax saving strategy is that it lacks the long-term perspective necessary to understand the real value as a multigenerational philanthropic tool. The original intent was to create multigenerational philanthropic capital building on a stewardship model, the tax benefits were a fortunate side effect, but not the principal intent. The stewardship intent may have been lost and misdirected because the professionals that generally promote these transactions are wearing blinders. Accountants, attorneys and financial, estate and insurance planners want to provide value to their clients, but typically concentrate on tax efficiency in the short term. As busy professionals, they tend to do what is being done, rather than seek creative and long-term thinking. Therefore, the professionals most responsible for carrying out the practice enabled by the public policy *do not* reflect the original intent of TRA-1969 that enabled split interest trusts to benefit both families and charities over the long-term. Rather, they are focusing on short-term solutions for immediate tax concerns.

Due to this focus away from a stewardship model, the proposed repeal of the estate tax, historically low capital gains rates and the professional emphasis on tax avoidance in single life or inheritance analyses, people who are actually pursuing charitable gift planning are being classified as either wealth maximizers or philanthropists, rather than philanthropic wealth builders who could benefit from a stewardship model. As in the theoretical models of altruism, real people are pegged into two camps: the self-interested and the altruistic. CRUTs are described as tools for wealth maximizers, while outright gifts to foundations are described as philanthropic.³⁰ In one analysis of an attempt to obtain a \$500,000 tax deduction, a

CRUT was only found to be more “advantageous” when the donor had a \$5 million asset that was highly appreciated. With other assets, donors were encouraged to fund a foundation with an outright gift of \$500,000 instead. Furthermore, the scenario assumed one generation only: “[I]f a donor can wait long enough, he can eventually realize more value from the CRT alternative than from the private foundation alternative.”³¹ Instead, the recommendation was that “the only benefit of a CRT over a private foundation is the potential to benefit from the deferral of income taxes on the appreciation of the property placed into the CRT.”³²

This analysis of “CRT versus Foundation” reviewed a number of variables, none of which were a consideration of the difference in the ultimate charitable gifts at the end of even one generation’s lifetime, let alone two or three generations.³³ Nor did it address the difference between investing

in a foundation or charity’s operating fund as opposed to leaving an asset to appreciate before it is available for use. A problem with this short-term approach is that the CRT allows tax-free growth, while an outright gift immediately begins to be used. As 501(c)(3) organizations, foundations typically have paid staff and operating expenditures. Thus, foundations have significant operating expenses, while a CRT has very little, allowing greater growth and gifts.

Re-establishing the Stewardship Approach

As described in the first part of this article, the CRT concept was generated by the nonprofit sector as a tool for stewardship. However, as is evidenced by the literature regarding the subsequent use of the CRT, it appears that once institutionalized, it became the purview of technically rational professionals. As Dr. Stout asserts, “CRUTs have been misused by attorneys, accountants, financial planners, and insurance planners.”³⁴ Thus the original intent for *wealth building toward the public good* has been all but lost. Correctly using a multigenerational stewardship perspective, families can keep the money and give it away at the same time. The general principles are to (1) enable capital growth without taxation; (2) build

The problem with the analysis of the CRUT as a one life or survivorship tool promoted as a tax saving strategy is that it lacks the long-term perspective necessary to understand the real value as a multigenerational philanthropic tool.

wealth *and* create a philanthropic future; (3) instill philanthropic values in future generations; (4) build capital in the nonprofit sector through philanthropy; and (5) allow citizens to promote cherished values. People who have large charitable ambitions and small capital capacity can realize their dreams to the best of their ability by establishing a CRUT for the benefit of their families as well as the charitable beneficiaries of their choice. This approach allows for both the democratization of wealth as well as a social agenda established by multiple levels of society. The government and large foundations “set” the social agenda through the projects and programs they fund. The multigenerational CRUT approach brings that same leverage to the common people, as a result of multigenerational growth within the trusts. As we will see in the illustration below, a small gift today can have a profound impact over the course of several generations.

A Multigenerational Illustration

Appendix A presents a group of tables that illustrate the CRUT concepts described in this article, and the details to which the following narrative refers.

Purpose

Adopting the Native American view of stewardship, our CRUT scenario is structured to illustrate how to plan for *seven generations* of substantial wealth building and charitable giving.³⁵ The purpose of this illustration is to make obvious the intended multigenerational perspective of the CRUT. As discussed, the tool was meant to help average families build wealth while establishing a family tradition of charitable giving in their following generations. While the test of the ten percent remainder upon funding makes long-term gifts with small amounts virtually impossible, it is possible to meet this test engaging three generations with a very typical savings account or life insurance death benefit of \$250,000. We have used this figure to demonstrate how a middle-income family can establish true wealth and a habit of charitable giving in just three generations. However, it is important to note that the moderately wealthy are increasing rapidly. The number of millionaires has increased to over 7.5 million, while there are approximately 350,000 decamillionaires in the United States.³⁶ If even a small percentage of those individuals implemented this model, the implications for the nonprofit sector would be tremendous.

Assumptions

Our initial assumption is that if an individual established a savings fund that earned a net rate (after taxes on interest and capital gains) of 6.8 percent, and saved just \$100 per month between the ages of 35 and 75 (40 years), the account would reach \$250,000. Alternatively, many working individuals can afford a \$250,000 life insurance policy, which would cost approximately \$125 per month for a 35-year-old individual. The median income for a four-person family in the United States in 2005 was \$67,019. Thus, \$250 (the approximate cost for \$250,000 policies on both wage earners) represents about five percent of the average family's monthly income. But perhaps the most common and easiest way to save is through a tax-free Individual Retirement Account, or IRA. A CRT can be named as the beneficiary of an IRA or retirement plan. Typically when this is proposed, the focus is on the pure income tax benefits of this approach, rather than the multigenerational planning benefits. Assuming a nine-percent rate of return that grows tax free, at the current maximum funding rate of \$4,000 per year (\$250 per month), it will take an individual just over 21 years to reach \$250,000. This is accomplished with actual savings principal of \$84,000.

The primary estate tax benefits to the donor are the outcome of removing assets from the estate, especially those that have the potential for growth. Any assets that grow within the estate and increase the value above the threshold at which it becomes taxable will be taxed at the highest marginal rate. To the extent that those assets can be removed (with lifetime benefits retained for the individual and heirs) the estate tax picture is improved. The intent in this article is to discuss generational gifting as a philosophy and to illustrate how it benefits both the grantors as well as their charities of choice. We recognize that decisions are not made in a vacuum and that prior to creating a CRT all aspects of income and estate tax benefits would be analyzed; however, for purposes of this analysis we are going to leave those factors behind, recognize that they exist, and look at the multigenerational planning that can be done within the structure of trusts that were originally created with that intent.

Admittedly, these are simplistic analyses that do not account for unforeseen tax law changes or inflationary effects. They also assume an average lifespan of 82 years, rather than trying to include the differences in males and females, or increases over time due to

actuarial revisions. However, as will be seen, the conservative growth rate assumptions along with the ultimate size of the funds more than outweigh the possible effects of these variables. Furthermore, our illustrations assume that the family members will continue to work, and will likely fund additional retirement accounts, life insurance policies, and the like. Nor do we include anticipated proceeds from regular inheritances, such as physical assets, family homes and other real estate. The purpose is not to create generations of “trust fund babies” who live purely off the proceeds of their inheritances, but responsible citizens who continue to be relatively self-sufficient, while their family’s wealth augments both their lifestyle and charitable giving habits.

All IRAs used in the illustration are assumed to grow at a nine-percent rate of return. All CRUTs are assumed to grow at the same rate, with an annual required payout of five percent. Using specific tools such as the NIM-CRUT, should growth exceed these conservative estimates, payouts could be larger. We have utilized the minimum five-percent payout rate in order to prolong the life of the trust to its maximum, thus enhancing the multigenerational planning available through the CRT. We also assume that as the five-percent payouts are received, the beneficiary pays taxes on the distribution (an estimated 20 percent tax) and deposits the net amount into a “side fund” that then grows at a net rate of 6.8 percent after-tax. Over time, “living uses” are taken out of this fund to augment earned income. Where purchases of homes and retirement homes are noted, it is expected that these are funds to *augment* the purchase, as other inheritances and real estate sales will be available to the family members. The remainder of this side fund is assumed to be a regular inheritance for the following generation.

Explanatory Narrative

As can be seen in a review of the appendices, the case illustrates seven generations of giving through CRUTs. In the First Generation, two working parents use their IRAs to fund two CRUTs, one for the second generation and one for the third generation. As noted, these funds were generated over the course of 32 years, saving the current maximum of \$4,000 per year at a growth rate of nine percent. While we

show the IRAs being funded from age 50 through age 65, these years could be adjusted backward in time and still accommodate sufficient growth to allow for some distributions for living uses during retirement. We do assume that they will have other retirement savings and pensions or social security available for retirement living uses. At a value of \$250,000, based on the ages of the beneficiaries, the current discount rate and a five-percent payout rate, both gifts meet the required 10-percent remainder test for CRUTs.

In the Second Generation, the wife of the original couple names their children as the living beneficiaries of her CRUT. Over the life of this generation, this

CRUT pays out a total of \$686,216. Given investment and the expected rate of taxed return, the total amount used for living is \$665,000, with a remaining inheritance of \$26,369 going to Generation 3. Anticipated living uses are the purchase of a retirement house

(\$125,000) and \$30,000 per year retirement income. The named charity receives \$711,940.

In the Third Generation, the husband of the original couple named their grandchildren as the living beneficiaries of his CRUT. Over the course of their lifetimes, the CRUT pays out a total of \$2,131,520. Given investment and the expected rate of taxed return, the total amount used for living is \$1,165,000 and \$1,500,000 is used to fund two more CRUTs for Generations 4 and 5, leaving an inheritance of \$888,944. The anticipated living uses are increased substantially, including the purchase of a home (\$125,000), the funding of two children’s college education (\$110,000), the funding of a business venture (\$200,000), the purchase of a retirement home (\$100,000), and retirement income of \$35,000 per year. The named charity receives \$1,702,926.

In the Fourth Generation, the first Third Generation CRUT pays out a total of \$2,058,648. Given investment and the expected rate of taxed return, the total amount used for living is \$900,000 and \$1,500,000 is used to fund a CRUT for Generation 6, and an inheritance of \$834,484 is left. At \$50,000 per year the retirement income has increased substantially from the previous generation’s income of \$35,000 taken from their trust. The named charity receives \$2,135,819.

Fundraising professionals cannot be the most effective actors in fully explicating the purpose and use of the CRUT because they do not usually have a trusted and intimate relationship with a potential donor.

In the Fifth Generation, the second Third Generation CRUT pays out a total of \$6,394,561. Given investment and the expected rate of taxed return, the total amount used for living is \$3,570,000 and \$10,000,000 is used to fund a CRUT for Generation 7, leaving an inheritance of \$658,766. Living uses included the purchase of a home (\$250,000), college education funding of \$220,000, investment in a business venture (\$250,000), the purchase of retirement homes (\$300,000), and retirement income of \$150,000 per year. The named charity receives \$5,108,777.

In the Sixth Generation, the Fourth Generation CRUT pays out a total of \$12,789,123. Given investment and the expected rate of taxed return, the total amount used for living is \$5,210,000 and \$35,000,000 is used to fund a CRUT for Generation 8, leaving an inheritance of \$2,981,531. Living uses included the purchase of a home (\$500,000), college education funding of \$660,000, investment in a business venture (\$500,000), the purchase of retirement homes (\$300,000), and retirement income of \$250,000 per year. The named charity receives \$10,217,554.

In the Seventh Generation, the CRUT created by the Fifth Generation pays out a total of \$85,260,817. Given investment and the expected rate of taxed return, the total amount used for living is \$8,960,000 and \$275,000,000 is used to fund a CRUT for Generation 9, leaving an inheritance of \$17,157,865. Living uses included the purchase of a home \$1,000,000, college education funding of \$660,000, investment in a business venture (\$500,000), the purchase of retirement homes (\$300,000), and retirement income of \$500,000 per year. The named charity receives \$85,260,817.

We stop this discussion of the analysis at the end of this seventh generation's lifetime, as it is clear that the ongoing growth in wealth, lifestyle and charitable giving for each generation will continue. It is obvious that when a generation is skipped, growth is larger. However, in the earlier years, no generation was left without augmented income and the opportunity to make a substantive charitable gift. A summary of the seven generations of philanthropic wealth-builders is shown in Table 1.

The implications of the value of the initial \$500,000 gift (which cost \$128,000 in principal savings) are simply amazing, given the course of seven generations. It should be noted that charities received more than twice what the families took out, and the remainder going on to the eighth generation was six times greater than the total paid out to the family thus far. At this point, growth is exponential.

For an example of how this can play out in real life, one case was found of a \$10 million gift, similar to that made by Generation 5. In 1975, oil heiress Beryl Buck left a \$10 million estate to a charitable organization. Largely composed of oil company stock, upon later sale of the assets due to a corporate takeover, the highly appreciated stock had grown to \$350 million. By 1984, it was valued at over \$400 million.³⁷ Clearly, even with the extremely conservative growth assumptions used in the case illustration, the typical middle-class family, illustrated in the CRUT scenarios, has been transformed into a major philanthropic force, while living very comfortably and maintaining a typical work ethic. Furthermore, this did not require an entrepreneur's good fortune or a windfall from the stock market. These results were achieved by one couple's simple savings plan, combined with conservative growth and a small amount of family financial planning using a stewardship view. But just for the sake of inspiring awe, consider this scenario if the subsequent generations did not use any of the annual payouts, but simply reinvested them in the CRUT or a family foundation. The philanthropic impact would be phenomenal.

A Call to Action for Practitioners

According to the National Committee on Planned Giving, financial planners play an increasing role in

Table 1: Panel A.

Gen.	Given to Charity	Living Uses	Inheritance	CRUTs Funded
1	0	0	339,434	500,000
2	711,940	665,000	26,369	0
3	1,702,926	1,315,000	888,944	1,500,000
4	2,135,819	900,000	834,484	1,500,000
5	5,108,777	3,570,000	658,766	10,000,000
6	10,217,554	5,210,000	2,981,531	35,000,000
7	68,117,026	8,960,000	17,157,865	275,000,000
	\$87,994,040	\$20,620,000	\$22,544,620	\$323,500,000

helping families of moderate wealth make financial decisions.³⁸ However, as noted in this paper, the “spin” being put on the use of the CRUT is of significant concern to public and nonprofit policy. We have shown that financial planners tend to ignore the charitable intent, and rarely seek to maximize the charitable value by utilizing multigenerational planning. Instead, they encourage clients to maximize the current income tax benefit of the gift, which is nearly always larger when comparing the CRUT 10-percent test value of a short-term trust to a one-time gift that could be fully deductible from income tax.

A particularly troublesome analysis is the comparison of giving to a CRUT versus giving to a foundation or directly to a charity, showing the outright gift to be more advantageous to the donor. This view is taken by nonprofit fundraising professionals and financial planners alike. Fundraising professionals are increasingly interested in “dollars today,” often due to the urgings of their employers. They may be consultants paid on a per-dollar raised basis, or their organization may give into the “crisis” mentality of ongoing cash-flow problems. Fundraisers are also concerned that tempting individuals with financial self-interest benefits somehow taints the rationale for charitable giving. To protect their organizations’ charitable status in uncertain political times, they tend to support theories of altruistic giving, rather than discussing the empirical evidence of impure altruism and econometric assessments of donation price elasticity. Not wanting to be affiliated with tax evasion, they “urge that we be careful of ads that promote lifetime incomes, large tax savings, etc. as the reason people should give ... Those that go down this pathway may, ultimately, jeopardize all of us in the eyes of the IRS.”³⁹

The inherent problem with these views is that they are short-term and focused on models that paint individuals as either purely altruistic or most interested in immediate financial gain. Thus, our society is sorely lacking a *culture of stewardship* for a sustainable future. But both the private sector and the nonprofit sector can help to change this condition. How can these practitioners revise the message they send about the use of CRUTs? Fundraising professionals cannot be the most effective actors in fully explicating the purpose and use of the CRUT because they do not usually have a trusted and intimate relationship with a potential donor. However, they can work toward changing their organizational cultures to at least warmly accept the gift of a CRT, rather than strongly advocate for an outright gift instead. While a CRT may take a bit longer to materialize as a usable asset, it will have appreciated enormously, and during the family’s lifetime, the charity has the opportunity to build a strong relationship with multiple generations. This is the approach advised by bequest societies that urge “the nonprofit to fulfill an ongoing relationship with the donor, keeping him or her fully informed, aware of progress, and how the nonprofit helps change lives.”⁴⁰ Financial planners, estate planners and insurance planners, on the other hand, do have the trusted decision-making advisory role of their clients. It is these professionals that help individuals make all types of financial decisions, including charitable giving both during life and at death. It is time for them to extend their analyses into more complex realms to help their clients see the full advantage of a stewardship approach to the CRUT.

Table 1: Panel B. Payout Summary

Gen.	Given to Charity	5% Payouts*	Living Uses	Inheritance	CRUTs Funded
1	0	0	0	138,160	500,000
2	711,940	686,216	665,000	26,369	0
3	1,702,926	2,131,520	1,315,000	207,814	1,500,000
4	2,135,819	2,058,648	1,150,000	491,712	1,500,000
5	5,108,777	6,394,561	3,570,000	658,766	10,000,000
6	10,217,554	12,789,123	5,210,000	2,981,531	35,000,000
7	68,117,025	85,260,817	8,960,000	17,157,865	275,000,000
	\$87,994,040	\$109,320,885	\$20,870,000	\$21,662,216	\$323,500,000

* These payouts are taxable payments to the trust beneficiaries. A blended tax rate of 20 percent is utilized to reduce the “accumulation phase” represented on each spreadsheet by the column labeled “side fund.”

Table 2. Gen 1

Accumulation Phase—Generation 1 IRA Funding for Testamentary CRUTs								
Year/	Age	Mr. Gen. 1's IRA			Mrs. Gen 1's IRA			
		Contributions	IRA Balance	Living Uses	Contributions	IRA Balance	Living Uses	
			Apprec. @ 9%			Apprec. @ 9%		
2008	1	50	3,000.00	3,270.00	0	3,000.00	3,270.00	0
2009	2	51	3,000.00	6,834.30	0	3,000.00	6,834.30	0
2010	3	52	3,000.00	10,719.39	0	3,000.00	10,719.39	0
2011	4	53	3,000.00	14,954.13	0	3,000.00	14,954.13	0
2012	5	54	3,000.00	19,570.00	0	3,000.00	19,570.00	0
2013	6	55	3,000.00	24,601.30	0	3,000.00	24,601.30	0
2014	7	56	3,000.00	30,085.42	0	3,000.00	30,085.42	0
2015	8	57	3,000.00	36,063.11	0	3,000.00	36,063.11	0
2016	9	58	3,000.00	42,578.79	0	3,000.00	42,578.79	0
2017	10	59	3,000.00	49,680.88	0	3,000.00	49,680.88	0
2018	11	60	3,000.00	57,422.16	0	3,000.00	57,422.16	0
2019	12	61	3,000.00	65,860.15	0	3,000.00	65,860.15	0
2020	13	62	3,000.00	75,057.57	0	3,000.00	75,057.57	0
2021	14	63	3,000.00	85,082.75	0	3,000.00	85,082.75	0
2022	15	64	3,000.00	96,010.20	0	3,000.00	96,010.20	0
2023	16	65	3,000.00	107,921.11	0	3,000.00	107,921.11	0
2024	17	66	3,000.00	120,904.01	0	3,000.00	120,904.01	0
2025	18	67	3,000.00	135,055.38	0	3,000.00	135,055.38	0
2026	19	68	3,000.00	150,480.36	0	3,000.00	150,480.36	0
2027	20	69	3,000.00	167,293.59	0	3,000.00	167,293.59	0
2028	21	70	3,000.00	185,620.01	0	3,000.00	185,620.01	0
2029	22	71	0.00	202,325.82	-10,000	0.00	202,325.82	-10,000
2030	23	72	0.00	209,635.14	-10,000	0.00	209,635.14	-10,000
2031	24	73	0.00	217,602.30	-10,000	0.00	217,602.30	-10,000
2032	25	74	0.00	226,286.51	-10,000	0.00	226,286.51	-10,000
2033	26	75	0.00	235,752.29	-10,000	0.00	235,752.29	-10,000
2034	27	76	0.00	246,070.00	-10,000	0.00	246,070.00	-10,000
2035	28	77	0.00	257,316.30	-10,000	0.00	257,316.30	-10,000
2036	29	78	0.00	269,574.77	-10,000	0.00	269,574.77	-10,000
2037	30	79	0.00	282,936.50	-10,000	0.00	282,936.50	-10,000
2038	31	80	0.00	297,500.78	-10,000	0.00	297,500.78	-10,000
2036	29	81	0.00	313,375.85	-250,000*	0.00	313,375.85	-250,000**
2037	30	82	0.00	69,079.68	0	0.00	69,079.68	0

* To testamentary CRUT for Generation 3 (our grandchild)

** To testamentary CRUT for Generation 2 (our child)

Table 3.

Generation 2 CRUT Created by Mrs. Gen. 1							
Year/	Age	Mrs. Gen. 1's CRUT Apprec. @ 9%	Income @ 5%	CRUT Balance BOY*	Side fund @ 6.8% Net of 20% Tax	Living Uses	
2037	1	52	250,000.00	12,500.00	237,500.00	10,680.00	
2038	2	53	258,875.00	12,943.75	245,931.25	22,465.38	
2039	3	54	268,065.06	13,403.25	254,661.81	35,444.77	
2040	4	55	277,581.37	13,879.07	263,702.30	49,713.29	
2041	5	56	287,435.51	14,371.78	273,063.74	65,373.03	
2042	6	57	297,639.47	14,881.97	282,757.50	82,533.56	
2043	7	58	308,205.67	15,410.28	292,795.39	101,312.39	
2044	8	59	319,146.97	15,957.35	303,189.63	121,835.59	
2045	9	60	330,476.69	16,523.83	313,952.86	144,238.37	-125,000
2046	10	61	342,208.61	17,110.43	325,098.18	35,165.73	
2047	11	62	354,357.02	17,717.85	336,639.17	52,695.14	
2048	12	63	366,936.69	18,346.83	348,589.86	71,953.94	
2049	13	64	379,962.95	18,998.15	360,964.80	93,078.83	
2050	14	65	393,451.63	19,672.58	373,779.05	116,216.44	-30,000
2051	15	66	407,419.16	20,370.96	387,048.21	109,484.10	-30,000
2052	16	67	421,882.54	21,094.13	400,788.42	102,911.84	-30,000
2053	17	68	436,859.38	21,842.97	415,016.41	96,532.48	-30,000
2054	18	69	452,367.88	22,618.39	429,749.49	90,381.85	-30,000
2055	19	70	468,426.94	23,421.35	445,005.60	84,499.01	-30,000
2056	20	71	485,056.10	24,252.80	460,803.29	78,926.54	-30,000
2057	21	72	502,275.59	25,113.78	477,161.81	73,710.76	-30,000
2058	22	73	520,106.37	26,005.32	494,101.06	68,902.04	-30,000
2059	23	74	538,570.15	26,928.51	511,641.64	64,555.09	-30,000
2060	24	75	557,689.39	27,884.47	529,804.92	60,729.33	-30,000
2061	25	76	577,487.36	28,874.37	548,613.00	57,489.18	-30,000
2062	26	77	597,988.17	29,899.41	568,088.76	54,904.50	-30,000
2063	27	78	619,216.75	30,960.84	588,255.91	53,050.95	-30,000
2064	28	79	641,198.94	32,059.95	609,138.99	52,010.43	-30,000
2065	29	80	663,961.50	33,198.08	630,763.43	51,871.57	-30,000
2066	30	81	687,532.14	34,376.61	653,155.53	52,730.21	-30,000
2067	31	82	711,939.53	35,596.98	676,342.55	54,689.93	-30,000
Totals:			686,216.03 <i>(paid out)</i>			26,368.84 <i>(inheritance)</i>	-665,000 <i>(used)</i>

* Beginning of year (BOY) balance following annual distribution to the CRUT beneficiaries.

Table 4.

Generation 3 CRUT Created by Mr. Gen. 1							
	Year/	Age	Mr. Gen. 1's CRUT Apprec. @ 9%	Income @5%	CRUT Balance BOY*	Side fund @ 6.8% Net of 20% Tax	Living Uses
2037	1	27	250,000.00	12,500.00	237,500.00	10,680.00	
2038	2	28	258,875.00	12,943.75	245,931.25	22,465.38	
2039	3	29	268,065.06	13,403.25	254,661.81	35,444.77	
2040	4	30	277,581.37	13,879.07	263,702.30	49,713.29	
2041	5	31	287,435.51	14,371.78	273,063.74	65,373.03	
2042	6	32	297,639.47	14,881.97	282,757.50	82,533.56	
2043	7	33	308,205.67	15,410.28	292,795.39	101,312.39	
2044	8	34	319,146.97	15,957.35	303,189.63	121,835.59	-125,000
2045	9	35	330,476.69	16,523.83	313,952.86	107,738.37	
2046	10	36	342,208.61	17,110.43	325,098.18	26,087.73	
2047	11	37	354,357.02	17,717.85	336,639.17	42,999.83	
2048	12	38	366,936.69	18,346.83	348,589.86	61,599.36	
2049	13	39	379,962.95	18,998.15	360,964.80	82,020.13	
2050	14	40	393,451.63	19,672.58	373,779.05	104,405.75	-22,000
2051	15	41	407,419.16	20,370.96	387,048.21	105,414.29	-22,000
2052	16	42	421,882.54	21,094.13	400,788.42	107,109.28	-22,000
2053	17	43	436,859.38	21,842.97	415,016.41	109,559.35	-22,000
2054	18	44	452,367.88	22,618.39	429,749.49	112,838.54	-22,000
2055	19	45	468,426.94	23,421.35	445,005.60	117,026.76	
2056	20	46	485,056.10	24,252.80	460,803.29	145,706.17	
2057	21	47	502,275.59	25,113.78	477,161.81	177,071.41	
2058	22	48	520,106.37	26,005.32	494,101.06	211,331.21	
2059	23	49	538,570.15	26,928.51	511,641.64	248,709.45	
2060	24	50	557,689.39	27,884.47	529,804.92	289,446.18	-200,000
2061	25	51	577,487.36	28,874.37	548,613.00	120,198.78	
2062	26	52	597,988.17	29,899.41	568,088.76	153,918.35	
2063	27	53	619,216.75	30,960.84	588,255.91	190,837.74	
2064	28	54	641,198.94	32,059.95	609,138.99	231,206.72	
2065	29	55	663,961.50	33,198.08	630,763.43	275,293.22	
2066	30	56	687,532.14	34,376.61	653,155.53	323,384.53	
2067	31	57	711,939.53	35,596.98	676,342.55	375,788.73	
2068	32	58	737,213.38	36,860.67	700,352.71	432,836.12	
2069	33	59	763,384.45	38,169.22	725,215.23	494,880.76	
2070	34	60	790,484.60	39,524.23	750,960.37	562,302.15	-100,000
2071	35	61	818,546.81	40,927.34	777,619.47	528,707.02	
2072	36	62	847,605.22	42,380.26	805,224.96	600,868.79	
2073	37	63	877,695.20	43,884.76	833,810.44	679,223.01	
2074	38	64	908,853.38	45,442.67	863,410.71	764,236.39	
2075	39	65	941,117.68	47,055.88	894,061.79	856,409.01	-35,000
2076	40	66	974,527.36	48,726.37	925,800.99	918,896.63	-35,000
2077	41	67	1,009,123.08	50,456.15	958,666.92	987,111.34	-35,000
2078	42	68	1,044,946.95	52,247.35	992,699.60	1,061,495.05	-35,000
2079	43	69	1,082,042.56	54,102.13	1,027,940.43	1,142,521.57	-35,000
2080	44	70	1,120,455.07	56,022.75	1,064,432.32	1,230,698.88	-35,000
2081	45	71	1,160,231.23	58,011.56	1,102,219.67	1,326,571.48	-35,000
2082	46	72	1,201,419.44	60,070.97	1,141,348.47	1,430,722.98	-35,000
2083	47	73	1,244,069.83	62,203.49	1,181,866.34	1,543,778.80	-35,000
2084	48	74	1,288,234.31	64,411.72	1,223,822.59	1,666,409.13	-35,000
2085	49	75	1,333,966.62	66,698.33	1,267,268.29	1,799,332.01	-35,000
2086	50	76	1,381,322.44	69,066.12	1,312,256.32	1,943,316.68	-1,500,000 *
2087	51	77	1,430,359.39	71,517.97	1,358,841.42	534,567.17	-70,000
2088	52	78	1,481,137.14	74,056.86	1,407,080.29	559,431.91	-35,000
2089	53	79	1,533,717.51	76,685.88	1,457,031.64	625,613.69	-35,000
2090	54	80	1,588,164.48	79,408.22	1,508,756.26	698,621.81	-35,000
2091	55	81	1,644,544.32	82,227.22	1,562,317.11	779,003.03	-35,000
2092	56	82	1,702,925.65	85,146.28	1,617,779.36	867,344.22	-35,000
Totals:				2,131,520.43		888,943.62	-1,165,000
				(paid out)		(inheritance)	(used)

Table 5.

Generation 4 CRUT Created by Generation 3							
	Year/	Age	Gen 3 CRUT I Apprec. @ 9%	Income @ 5%	CRUT Balance BOY*	Side fund @ 6.8% Net of 20% Tax	Living Uses
2086	1	52	750,000.00	37,500.00	712,500.00	32,040.00	
2087	2	53	776,625.00	38,831.25	737,793.75	67,396.14	
2088	3	54	804,195.19	40,209.76	763,985.43	106,334.30	
2089	4	55	832,744.12	41,637.21	791,106.91	149,139.86	
2090	5	56	862,306.53	43,115.33	819,191.21	196,119.10	
2091	6	57	892,918.41	44,645.92	848,272.49	247,600.68	
2092	7	58	924,617.02	46,230.85	878,386.17	303,937.16	
2093	8	59	957,440.92	47,872.05	909,568.88	365,506.76	
2094	9	60	991,430.08	49,571.50	941,858.57	432,715.12	
2095	10	61	1,026,625.84	51,331.29	975,294.55	505,997.20	
2096	11	62	1,063,071.06	53,153.55	1,009,917.51	585,819.41	
2097	12	63	1,100,810.08	55,040.50	1,045,769.58	672,681.73	
2098	13	64	1,139,888.84	56,994.44	1,082,894.40	767,120.14	
2099	14	65	1,180,354.89	59,017.74	1,121,337.15	869,709.07	-50,000
2100	15	66	1,222,257.49	61,112.87	1,161,144.62	927,664.13	-50,000
2101	16	67	1,265,647.63	63,282.38	1,202,365.25	991,413.76	-50,000
2102	17	68	1,310,578.13	65,528.91	1,245,049.22	1,061,417.79	-50,000
2103	18	69	1,357,103.65	67,855.18	1,289,248.47	1,138,169.67	-50,000
2104	19	70	1,405,280.83	70,264.04	1,335,016.79	1,222,198.80	-50,000
2105	20	71	1,455,168.30	72,758.41	1,382,409.88	1,314,073.11	-50,000
2106	21	72	1,506,826.77	75,341.34	1,431,485.43	1,414,401.72	-50,000
2107	22	73	1,560,319.12	78,015.96	1,482,303.17	1,523,837.87	-50,000
2108	23	74	1,615,710.45	80,785.52	1,534,924.93	1,643,082.00	-50,000
2109	24	75	1,673,068.17	83,653.41	1,589,414.76	1,772,885.04	-50,000
2110	25	76	1,732,462.09	86,623.10	1,645,838.99	1,914,052.01	-1,500,000 *
2111	26	77	1,793,964.50	89,698.22	1,704,266.27	518,845.71	-100,000
2112	27	78	1,857,650.24	92,882.51	1,764,767.73	526,686.03	-50,000
2113	28	79	1,923,596.82	96,179.84	1,827,416.98	591,276.74	-50,000
2114	29	80	1,991,884.51	99,594.23	1,892,290.28	663,176.87	-50,000
2115	30	81	2,062,596.41	103,129.82	1,959,466.59	742,987.01	-50,000
2116	31	82	2,135,818.58	106,790.93	2,029,027.65	831,352.30	-50,000
Totals:				2,058,648.08		834,484.25	-900,000
				(paid out)		(inheritance)	(used)

Table 6.

Generation 5 CRUT Created by Generation 3							
Year/	Age	Gen 3 CRUT II Apprec. @ 9%	Income @ 5%	Appreciation @ 9%	Side fund @ 6.8% Net of 20% Tax	Living Uses	
2086	1	27	750,000.00	37,500.00	712,500.00	32,040.00	
2087	2	28	776,625.00	38,831.25	737,793.75	67,396.14	
2088	3	29	804,195.19	40,209.76	763,985.43	106,334.30	
2089	4	30	832,744.12	41,637.21	791,106.91	149,139.86	
2090	5	31	862,306.53	43,115.33	819,191.21	196,119.10	
2091	6	32	892,918.41	44,645.92	848,272.49	247,600.68	
2092	7	33	924,617.02	46,230.85	878,386.17	303,937.16	
2093	8	34	957,440.92	47,872.05	909,568.88	365,506.76	-250,000
2094	9	35	991,430.08	49,571.50	941,858.57	165,715.12	
2095	10	36	1,026,625.84	51,331.29	975,294.55	220,841.20	
2096	11	37	1,063,071.06	53,153.55	1,009,917.51	281,272.80	
2097	12	38	1,100,810.08	55,040.50	1,045,769.58	347,425.95	
2098	13	39	1,139,888.84	56,994.44	1,082,894.40	419,746.97	
2099	14	40	1,180,354.89	59,017.74	1,121,337.15	498,714.53	-22,000
2100	15	41	1,222,257.49	61,112.87	1,161,144.62	561,345.95	-22,000
2101	16	42	1,265,647.63	63,282.38	1,202,365.25	630,089.95	-22,000
2102	17	43	1,310,578.13	65,528.91	1,245,049.22	705,427.96	-22,000
2103	18	44	1,357,103.65	67,855.18	1,289,248.47	787,876.53	-22,000
2104	19	45	1,405,280.83	70,264.04	1,335,016.79	877,989.73	-22,000
2105	20	46	1,455,168.30	72,758.41	1,382,409.88	976,361.82	-22,000
2106	21	47	1,506,826.77	75,341.34	1,431,485.43	1,083,630.06	-22,000
2107	22	48	1,560,319.12	78,015.96	1,482,303.17	1,200,477.74	-22,000
2108	23	49	1,615,710.45	80,785.52	1,534,924.93	1,327,637.38	-22,000
2109	24	50	1,673,068.17	83,653.41	1,589,414.76	1,465,894.19	-250,000
2110	25	51	1,732,462.09	86,623.10	1,645,838.99	1,372,585.78	
2111	26	52	1,793,964.50	89,698.22	1,704,266.27	1,542,559.78	
2112	27	53	1,857,650.24	92,882.51	1,764,767.73	1,726,812.66	
2113	28	54	1,923,596.82	96,179.84	1,827,416.98	1,926,411.98	
2114	29	55	1,991,884.51	99,594.23	1,892,290.28	2,142,501.30	
2115	30	56	2,062,596.41	103,129.82	1,959,466.59	2,376,305.50	
2116	31	57	2,135,818.58	106,790.93	2,029,027.65	2,629,136.45	
2117	32	58	2,211,640.14	110,582.01	2,101,058.13	2,902,398.99	
2118	33	59	2,290,153.36	114,507.67	2,175,645.70	3,197,597.47	
2119	34	60	2,371,453.81	118,572.69	2,252,881.12	3,516,342.61	-300,000
2120	35	61	2,455,640.42	122,782.02	2,332,858.40	3,539,958.87	
2121	36	62	2,542,815.65	127,140.78	2,415,674.87	3,889,305.15	
2122	37	63	2,633,085.61	131,654.28	2,501,431.33	4,266,263.32	
2123	38	64	2,726,560.15	136,328.01	2,590,232.14	4,672,847.88	
2124	39	65	2,823,353.03	141,167.65	2,682,185.38	5,111,215.17	-150,000
2125	40	66	2,923,582.07	146,179.10	2,777,402.96	5,423,473.23	-150,000
2126	41	67	3,027,369.23	151,368.46	2,876,000.77	5,761,398.62	-150,000
2127	42	68	3,134,840.84	156,742.04	2,978,098.80	6,126,894.13	-150,000
2128	43	69	3,246,127.69	162,306.38	3,083,821.30	6,521,997.51	-150,000
2129	44	70	3,361,365.22	168,068.26	3,193,296.96	6,948,890.86	-150,000
2130	45	71	3,480,693.69	174,034.68	3,306,659.00	7,409,910.67	-150,000
2131	46	72	3,604,258.31	180,212.92	3,424,045.40	7,907,558.51	-150,000
2132	47	73	3,732,209.48	186,610.47	3,545,599.01	8,444,512.48	-150,000
2133	48	74	3,864,702.92	193,235.15	3,671,467.77	9,023,639.44	-150,000
2134	49	75	4,001,899.87	200,094.99	3,801,804.88	9,648,008.08	-150,000
2135	50	76	4,143,967.32	207,198.37	3,936,768.95	10,320,902.92	-10,000,000 *
2136	51	77	4,291,078.16	214,553.91	4,076,524.25	526,039.17	-300,000
2137	52	78	4,443,411.43	222,170.57	4,221,240.86	431,232.37	-150,000
2138	53	79	4,601,152.54	230,057.63	4,371,094.91	496,917.41	-150,000
2139	54	80	4,764,493.45	238,224.67	4,526,268.78	574,046.96	-150,000
2140	55	81	4,933,632.97	246,681.65	4,686,951.32	663,646.95	-150,000
2141	56	82	5,108,776.94	255,438.85	4,853,338.09	766,821.89	-150,000
Totals:			6,394,561.30			658,765.78	-3,570,000
			(paid out)			(inheritance)	(used)

Table 7.

Generation 6 CRUT Created by Generation 4							
Year/	Age	Gen 4 CRUT Apprec. @ 9%	Income @ 5%	Appreciation @ 9%	Side fund @ 6.8% Net of 20% Tax	Living Uses	
2110	1	27	1,500,000.00	75,000.00	1,425,000.00	64,080.00	
2111	2	28	1,553,250.00	77,662.50	1,475,587.50	134,792.28	
2112	3	29	1,608,390.38	80,419.52	1,527,970.86	212,668.59	
2113	4	30	1,665,488.23	83,274.41	1,582,213.82	298,279.71	
2114	5	31	1,724,613.07	86,230.65	1,638,382.41	392,238.20	
2115	6	32	1,785,836.83	89,291.84	1,696,544.99	495,201.35	
2116	7	33	1,849,234.04	92,461.70	1,756,772.34	607,874.32	
2117	8	34	1,914,881.85	95,744.09	1,819,137.75	731,013.53	500,000
2118	9	35	1,982,860.15	99,143.01	1,883,717.14	1,399,430.23	
2119	10	36	2,053,251.69	102,662.58	1,950,589.10	1,582,306.40	
2120	11	37	2,126,142.12	106,307.11	2,019,835.01	1,780,732.03	
2121	12	38	2,201,620.17	110,081.01	2,091,539.16	1,995,875.02	
2122	13	39	2,279,777.68	113,988.88	2,165,788.80	2,228,986.62	
2123	14	40	2,360,709.79	118,035.49	2,242,674.30	2,481,407.24	-66,000
2124	15	41	2,444,514.99	122,225.75	2,322,289.24	2,684,084.61	-66,000
2125	16	42	2,531,295.27	126,564.76	2,404,730.51	2,904,251.29	-66,000
2126	17	43	2,621,156.25	131,057.81	2,490,098.44	3,143,228.18	-66,000
2127	18	44	2,714,207.30	135,710.36	2,578,496.93	3,402,430.63	-66,000
2128	19	45	2,810,561.66	140,528.08	2,670,033.57	3,683,375.11	-66,000
2129	20	46	2,910,336.60	145,516.83	2,764,819.77	3,987,686.19	-66,000
2130	21	47	3,013,653.55	150,682.68	2,862,970.87	4,317,104.13	-66,000
2131	22	48	3,120,638.25	156,031.91	2,964,606.33	4,673,492.88	-66,000
2132	23	49	3,231,420.90	161,571.05	3,069,849.86	5,058,848.70	-66,000
2133	24	50	3,346,136.35	167,306.82	3,178,829.53	5,475,309.35	-500,000
2134	25	51	3,464,924.19	173,246.21	3,291,677.98	5,461,651.95	
2135	26	52	3,587,929.00	179,396.45	3,408,532.55	5,986,320.61	
2136	27	53	3,715,300.47	185,765.02	3,529,535.45	6,552,108.05	
2137	28	54	3,847,193.64	192,359.68	3,654,833.96	7,162,003.51	
2138	29	55	3,983,769.02	199,188.45	3,784,580.56	7,819,206.36	
2139	30	56	4,125,192.82	206,259.64	3,918,933.17	8,527,140.63	
2140	31	57	4,271,637.16	213,581.86	4,058,055.30	9,289,470.53	
2141	32	58	4,423,280.28	221,164.01	4,202,116.27	10,110,117.06	
2142	33	59	4,580,306.73	229,015.34	4,351,291.39	10,993,275.72	
2143	34	60	4,742,907.62	237,145.38	4,505,762.24	11,943,435.49	-300,000
2144	35	61	4,911,280.84	245,564.04	4,665,716.80	12,644,999.02	
2145	36	62	5,085,631.31	254,281.57	4,831,349.74	13,722,117.12	
2146	37	63	5,266,171.22	263,308.56	5,002,862.66	14,880,191.92	
2147	38	64	5,453,120.30	272,656.01	5,180,464.28	16,125,002.27	
2148	39	65	5,646,706.07	282,335.30	5,364,370.77	17,462,729.71	-250,000
2149	40	66	5,847,164.13	292,358.21	5,554,805.93	18,632,986.18	-250,000
2150	41	67	6,054,738.46	302,736.92	5,752,001.54	19,891,687.67	-250,000
2151	42	68	6,269,681.68	313,484.08	5,956,197.59	21,245,163.23	-250,000
2152	43	69	6,492,255.38	324,612.77	6,167,642.61	22,700,183.48	-250,000
2153	44	70	6,722,730.44	336,136.52	6,386,593.92	24,263,991.00	-250,000
2154	45	71	6,961,387.37	348,069.37	6,613,318.00	25,944,332.85	-250,000
2155	46	72	7,208,516.62	360,425.83	6,848,090.79	27,749,495.32	-250,000
2156	47	73	7,464,418.96	373,220.95	7,091,198.02	29,688,340.98	-250,000
2157	48	74	7,729,405.84	386,470.29	7,342,935.55	31,770,348.38	-250,000
2158	49	75	8,003,799.75	400,189.99	7,603,609.76	34,005,654.40	-250,000
2159	50	76	8,287,934.64	414,396.73	7,873,537.90	36,405,099.46	-35,000,000 *
2160	51	77	8,582,156.32	429,107.82	8,153,048.50	1,867,275.95	-500,000
2161	52	78	8,886,822.87	444,341.14	8,442,481.72	1,839,895.78	-250,000
2162	53	79	9,202,305.08	460,115.25	8,742,189.82	2,091,131.17	-250,000
2163	54	80	9,528,986.91	476,449.35	9,052,537.56	2,373,406.41	-250,000
2164	55	81	9,867,265.94	493,363.30	9,373,902.65	2,689,327.65	-250,000
2165	56	82	10,217,553.88	510,877.69	9,706,676.19	3,041,695.83	-250,000
Totals:				12,789,122.60		2,981,531.14	-5,210,000

(paid out)

(inheritance)

(used)

Table 8.

Generation 7 CRUT Created by Generation 5							
Year/	Age	Gen 5 CRUT Apprec. @ 9%	Income @ 5%	Appreciation @ 9%	Side fund @ 6.8% Net of 20% Tax	Living Uses	
2135	1	27	10,000,000.00	500,000.00	9,500,000.00	427,200.00	
2136	2	28	10,355,000.00	517,750.00	9,837,250.00	898,615.20	
2137	3	29	10,722,602.50	536,130.13	10,186,472.38	1,417,790.61	
2138	4	30	11,103,254.89	555,162.74	10,548,092.14	1,988,531.42	
2139	5	31	11,497,420.44	574,871.02	10,922,549.42	2,614,921.36	
2140	6	32	11,905,578.86	595,278.94	11,310,299.92	3,301,342.34	
2141	7	33	12,328,226.91	616,411.35	11,711,815.57	4,052,495.48	
2142	8	34	12,765,878.97	638,293.95	12,127,585.02	4,873,423.52	1,000,000
2143	9	35	13,219,067.67	660,953.38	12,558,114.29	6,837,534.89	
2144	10	36	13,688,344.57	684,417.23	13,003,927.34	7,887,253.34	
2145	11	37	14,174,280.81	708,714.04	13,465,566.77	9,029,111.84	
2146	12	38	14,677,467.77	733,873.39	13,943,594.39	10,270,112.87	
2147	13	39	15,198,517.88	759,925.89	14,438,591.99	11,617,761.23	
2148	14	40	15,738,065.27	786,903.26	14,951,162.00	13,080,099.14	-66,000
2149	15	41	16,296,766.58	814,838.33	15,481,928.25	14,595,255.75	-66,000
2150	16	42	16,875,301.80	843,765.09	16,031,536.71	16,238,158.04	-66,000
2151	17	43	17,474,375.01	873,718.75	16,600,656.26	18,018,370.08	-66,000
2152	18	44	18,094,715.32	904,735.77	17,189,979.56	19,946,137.49	-66,000
2153	19	45	18,737,077.72	936,853.89	17,800,223.83	22,032,434.80	-66,000
2154	20	46	19,402,243.98	970,112.20	18,432,131.78	24,289,016.23	-66,000
2155	21	47	20,091,023.64	1,004,551.18	19,086,472.45	26,728,469.86	-66,000
2156	22	48	20,804,254.98	1,040,212.75	19,764,042.23	29,364,275.58	-66,000
2157	23	49	21,542,806.03	1,077,140.30	20,465,665.73	32,210,866.99	-66,000
2158	24	50	22,307,575.64	1,115,378.78	21,192,196.86	35,283,697.58	-500,000
2159	25	51	23,099,494.58	1,154,974.73	21,944,519.85	38,135,799.43	
2160	26	52	23,919,526.63	1,195,976.33	22,723,550.30	41,750,875.96	
2161	27	53	24,768,669.83	1,238,433.49	23,530,236.34	45,648,053.10	
2162	28	54	25,647,957.61	1,282,397.88	24,365,559.73	49,847,801.46	
2163	29	55	26,558,460.10	1,327,923.01	25,230,537.10	54,372,029.38	
2164	30	56	27,501,285.44	1,375,064.27	26,126,221.17	59,244,182.29	
2165	31	57	28,477,581.07	1,423,879.05	27,053,702.02	64,489,348.95	
2166	32	58	29,488,535.20	1,474,426.76	28,014,108.44	70,134,374.90	
2167	33	59	30,535,378.20	1,526,768.91	29,008,609.29	76,207,983.75	
2168	34	60	31,619,384.12	1,580,969.21	30,038,414.92	82,740,906.74	-300,000
2169	35	61	32,741,872.26	1,637,093.61	31,104,778.65	89,445,621.18	
2170	36	62	33,904,208.73	1,695,210.44	32,208,998.29	96,976,311.22	
2171	37	63	35,107,808.13	1,755,390.41	33,352,417.73	105,070,505.94	
2172	38	64	36,354,135.32	1,817,706.77	34,536,428.56	113,768,349.01	
2173	39	65	37,644,707.13	1,882,235.36	35,762,471.77	123,112,778.63	-500,000
2174	40	66	38,981,094.23	1,949,054.71	37,032,039.52	132,615,719.92	-500,000
2175	41	67	40,364,923.08	2,018,246.15	38,346,676.92	142,823,978.39	-500,000
2176	42	68	41,797,877.85	2,089,893.89	39,707,983.95	153,787,614.26	-500,000
2177	43	69	43,281,702.51	2,164,085.13	41,117,617.38	165,560,166.36	-500,000
2178	44	70	44,818,202.95	2,240,910.15	42,577,292.80	178,198,891.30	-500,000
2179	45	71	46,409,249.15	2,320,462.46	44,088,786.69	191,765,019.04	-500,000
2180	46	72	48,056,777.50	2,402,838.87	45,653,938.62	206,324,025.87	-500,000
2181	47	73	49,762,793.10	2,488,139.65	47,274,653.44	221,945,926.15	-500,000
2182	48	74	51,529,372.25	2,576,468.61	48,952,903.64	238,705,583.91	-500,000
2183	49	75	53,358,664.97	2,667,933.25	50,690,731.72	256,683,045.78	-500,000
2184	50	76	55,252,897.57	2,762,644.88	52,490,252.70	275,963,896.68	-275,000,000 *
2185	51	77	57,214,375.44	2,860,718.77	54,353,656.67	3,473,639.77	-1,000,000
2186	52	78	59,245,485.77	2,962,274.29	56,283,211.48	5,172,814.43	-500,000
2187	53	79	61,348,700.51	3,067,435.03	58,281,265.49	7,611,382.29	-500,000
2188	54	80	63,526,579.38	3,176,328.97	60,350,250.41	10,308,811.76	-500,000
2189	55	81	65,781,772.95	3,289,088.65	62,492,684.30	13,286,008.30	-500,000
2190	56	82	68,117,025.89	3,405,851.29	64,711,174.59	16,565,416.21	-500,000
Totals:			85,260,817.33			17,157,864.51	-8,960,000

(paid out)

(inheritance)

(used)

ENDNOTES

- ¹ M. O'Neill, *NONPROFIT NATION: A NEW LOOK AT THE THIRD AMERICA* (2002), San Francisco: Jossey-Bass.
- ² P. Greene and R. McClelland, *Taxes and Charitable Giving*, 54 NAT'L TAX J. 3 (2001), at 433-54.
- ³ P.G. Schervish and J.J. Havins, *Money and Magnamity: New Findings on the Distribution of Income, Wealth, and Philanthropy*, 8 NONPROFIT MANAGEMENT & LEADERSHIP 4 (1998), at 421-34. *Supra* note 2.
- ⁴ C.T. Clotfelter, *FEDERAL TAX POLICY AND CHARITABLE GIVING* (1985), Chicago: University of Chicago Press.
- ⁵ *Supra* note 3.
- ⁶ *Supra* note 2.
- ⁷ *Supra* note 3.
- ⁸ *Supra* note 3.
- ⁹ *Supra* note 3.
- ¹⁰ G. Auten and G. Rudney, *The Variability of Individual Charitable Giving in the US*, 1 VOLUNTAS: INT'L J. VOLUNTARY & NONPROFIT ORGANIZATIONS 2 (1990), at 80-97. *Supra* note 2.
- ¹¹ P. Frumkin, *ON BEING NONPROFIT: A CONCEPTUAL AND POLICY PRIMER* (2002), Cambridge, MA: Harvard University Press.
- ¹² *Supra* note 1.
- ¹³ A.C. Foundation, *GREAT GIVING OPTIONS* (2003). Retrieved December 10, 2003, from www.azfoundation.org/static/who_we_are/giving_opps_fund.shtml.
- ¹⁴ *Supra* note 14.
- ¹⁵ *Supra* note 1, at 181.
- ¹⁶ *Supra* note 1.
- ¹⁷ *Supra* note 1, at 181.
- ¹⁸ *Supra* note 14.
- ¹⁹ *www.unclefed.com/Tax-News/2007/nr07-55.html*.
- ²⁰ IRS, *Statistics of Income Division*, November 2006.
- ²¹ Roger D. Silk, *Charitable Remainder Trusts vs. Selling Assets and Funding a Private Foundation*, TRUSTS & ESTATES, Oct. 2000, at 36-46.
- ²² M.J. Belvedere, *Charitable Remainder Trusts, 1998*, 20 STATISTICS OF INCOME: SOI BULLETIN 3 (2000), at 58-76.
- ²³ B.A. Christensen, *The Charitable Remainder Trust Reigns as a Safe Alternative to Feeding the Coffers of the IRS*, 129 TRUSTS & ESTATES 12 (1990), at 56-58.
- ²⁴ *Supra* note 23.
- ²⁵ J. Gulbrandsen and D. Roberts, *CRATs, CRUTs and NIMCRUTs, Philanthropy or Prosperity?* TRUSTS & ESTATES, June 1996, at 57.
- ²⁶ *Supra* note 23, at 58.
- ²⁷ C. Teitell, *Funding Charitable Remainder Trusts with Innovative Assets*, TRUSTS & ESTATES, Jan. 1993, at 53.
- ²⁸ *Supra* note 26.
- ²⁹ *Supra* note 22.
- ³⁰ *Supra* note 22.
- ³¹ *Supra* note 22.
- ³² *Supra* note 22, at 44.
- ³³ *Supra* note 22.
- ³⁴ Gilbert G. Stout, interview on October 6, 2003, in M. Stout (Ed.). Tempe.
- ³⁵ *Id.*
- ³⁶ Edward N. Wolff, *Recent Trends in Household Wealth in the United States*, *Levy Economics Institute of Bard College*, Working Paper No. 502, June 2007.
- ³⁷ *Supra* note 12.
- ³⁸ Giving, N. C. o. P. (2001). *Planned Giving in the United States 2000: A Survey of Donors*: National Committee on Planned Giving.
- ³⁹ Patricia F. Lewis, Re: Charitable giving and taxes (interview regarding charitable giving and taxes, conducted by Margaret Stout) (Dec. 9, 2003).
- ⁴⁰ *Id.*

This article is reprinted with the publisher's permission from the JOURNAL OF PRACTICAL ESTATE PLANNING, a bi-monthly journal published by CCH, a Wolters Kluwer business. Copying or distribution without the publisher's permission is prohibited. To subscribe to the JOURNAL OF PRACTICAL ESTATE PLANNING or other CCH Journals please call 800-449-8114 or visit www.CCHGroup.com. All views expressed in the articles and columns are those of the author and not necessarily those of CCH.

a Wolters Kluwer business