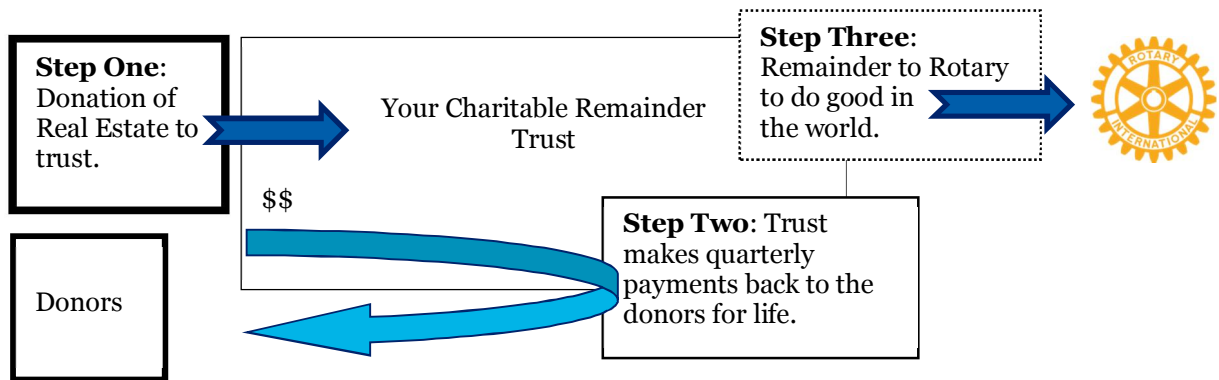


USING REAL ESTATE TO FUND A CHARITABLE REMAINDER TRUST

A Charitable Remainder Unitrust is a great way to turn an unproductive asset into a lifetime stream of payments, reduce taxes and expenses, and make a generous gift to The Rotary Foundation.



An Individual or couple can give real estate to a Charitable Remainder Unitrust. Once in the trust, the real estate can be sold to provide a source of payments to the income beneficiaries. In most cases, the donors themselves will be the income beneficiaries (the “donors”). The payment amount is a percentage of the value of the trust assets. The percentage is set at the time the gift is made and does not change, but the amount of the payments may increase or decrease as the value of the trust assets increases or decreases. After the donors’ lifetimes, the amount remaining in the trust is transferred to a charity of the donors’ choice.

The donors are entitled to a charitable tax deduction in the year the real estate is transferred to the trust for a portion of the fair market value of the real estate, as determined by a qualified appraisal. If needed, that deduction can be carried forward for up to five more years. The deduction amount is the approximate value the IRS predicts will remain at the end of the trust to benefit charity. If the property has appreciated in value, the federal taxes on that gain will be spread over the donors’ lifetimes. Please note that there may be local tax on the income and realized gain and there may be transfer taxes and other costs associated with transferring title.

All expenses are borne by the trust, such as taxes, insurance, maintenance, utilities, etc., until the real estate is sold. Thus, the donors must contribute to the trust an amount of cash or securities to cover these costs. The donors are entitled to a charitable tax receipt for a portion of those amounts as well.

The listing and sale of the real estate is usually initiated by the trustee using a local real estate agent in consultation with the donors. The real estate cannot be subject to a mortgage nor have a buyer already contractually obligated to purchase it prior to it being transferred into trust.

The trustee can be the donors, individuals selected by the donors, commercial banks, or in some cases the charity. The trustee has several obligations such as filing the trust taxes, monitoring payments, providing an accounting, and stewarding the assets, etc.

The Rotary Foundation is pleased to act as trustee for a charitable remainder trust of this type if the real estate receives the approval of the Gift Acceptance Committee, the trust names The Rotary Foundation as sole and irrevocable charitable beneficiary, the value of the trust exceeds \$100,000 and has an annual payout percentage between 5 and 7%. All that is needed for Gift Acceptance Committee review is a simple application and a qualified appraisal. We are here to help every step of the way.

For more information:

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Rotary recommends that you consult with your own financial and legal counsel before making any charitable gift.