

A Comparison

Charitable Gift Annuity and Charitable Remainder Trust

	Charitable Gift Annuity	Charitable Remainder Trust
<i>Things to consider</i>		
Benefits to donor	<ul style="list-style-type: none"> Income and estate tax deductions possible. Lifetime, fixed, quarterly or annual annuity payments. Annuity payments guaranteed by the Kalamazoo Community Foundation 	<ul style="list-style-type: none"> Income and estate tax deductions possible. Lifetime or term income with percent limits or fixed amount payout depending on the type of trust. Income payments from the trust performance.
Additional benefits	<ul style="list-style-type: none"> All potential capital gains and estate tax will be avoided on the "gift" portion of the transaction; any capital gains tax payable on the annuity will be spread over the life expectancy of the donor. Can increase donor's income, which may enable donor to make additional gifts. 	<ul style="list-style-type: none"> All potential capital gains on assets given to the trust will be avoided. Can increase the donor's income, which may enable donor to make additional gifts.
Income tax implications	Annuity installments are part ordinary income and part tax exempt. They also will be part capital gains if the gift assets were long-term appreciated property.	In most cases, the distributions will be ordinary income. However, they could be composed of tax-free income or capital gains, depending on the type of assets contributed to the trust and how the trustee invests and reinvests assets.
Cost to establish	No cost to establish, but fee of 1% of the donor's first \$1 million will be assessed.	The donor assumes the cost.
Document required	A simple contract between the Community Foundation and the donor is prepared by the Community Foundation.	A trust document is prepared by an attorney, who may use IRS prototypes.
Assets that may be used to establish the fund	Generally only cash and regularly traded stocks and bonds. However, other assets, such as unencumbered real estate, may be considered. Low-yield, low-cost securities are ideal.	Can fund with unencumbered real estate, securities or cash. Low-yield, low-cost securities are ideal.
Funding minimum	\$10,000 or 2x the fund minimum if establishing an endowed fund.	\$100,000 is generally recommended as the minimum.
Investment management	Responsibility is assumed by the Kalamazoo Community Foundation.	Responsibility is assumed by the trustee. The donor may be the trustee.
Number of income beneficiaries	Limited to two individuals age 50 or older.	No limit, but optimal tax advantages occur for the husband and wife.
Status of gift	Irrevocable.	Irrevocable.