
A Charitable Remainder Unitrust



Make a Gift and Receive Income for Life

Do you have an asset, such as highly appreciated securities or debt-free real estate, that you want to turn into an income for life, then create a legacy at Mount Holyoke College? Or do you have an asset from which you would like to receive more income, but you hesitate to sell it because taxes on your capital gain would take a big bite out of your proceeds? Establishing a charitable remainder unitrust would meet your needs.

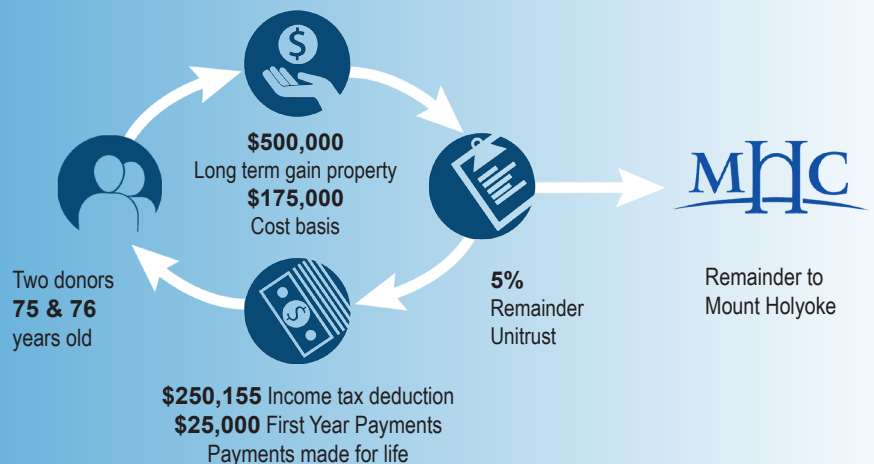
With a charitable remainder unitrust, you can make a gift to support Mount Holyoke and receive lifetime income. Because a charitable remainder unitrust is tax-exempt, there is no capital gains tax when the trust receives your appreciated assets or when it sells them. The trust can put the full fair market value of your asset to work, first for you and ultimately for Mount Holyoke College. In addition, you receive an income tax charitable deduction for a portion of the trust amount, which you can use immediately to save on income taxes.

How a Charitable Remainder Unitrust Works:

- You irrevocably transfer assets to a trust.
- You choose a trustee to oversee the operation of your trust or serve in that role yourself. Mount Holyoke College is happy to serve as trustee and absorb the legal costs of writing the trust agreement if you fund your trust with assets worth \$100,000 or more and you name Mount Holyoke College the beneficiary of at least 51 percent of what's left in the trust when it ends.
- You choose the income beneficiaries of the trust. It can be you, you and your spouse, loved ones, employees, or anyone else you wish. The trustee manages the trust assets and pays income each year to these beneficiaries.
- Each year, your unitrust will distribute a fixed percentage of its current value. If your unitrust's value goes up from one year to the next, the payments will increase proportionally. Likewise, if your unitrust's value goes down, the payment amount will also go down. You choose the percentage that your unitrust must pay each year to its income beneficiaries, typically 5 percent.
- When the trust term ends, its remaining assets go to Mount Holyoke College for use as you directed.

EXAMPLE: Charitable Remainder Unitrust

Audrey Chen is 76 years old and her husband John is 75. Many of the stocks in their portfolio have appreciated substantially in value over the many years the Chens have owned them. They are enthusiastic about making a major gift to support Mount Holyoke College, but they also would welcome a way to receive greater income from their investments without paying a big capital gains tax.



After consulting with their advisor, the Chens find that a 5% charitable remainder unitrust funded with \$500,000 in assets will meet their needs perfectly. They fund their unitrust with \$400,000 in stocks plus \$100,000 from a money market fund. They paid a total of \$75,000 for the stocks, which currently produce about 2% in dividends each year. Their money market fund has been earning about 2% interest annually.

Benefits

- The Chens will receive \$25,000 in payments in the first year of their unitrust, significantly increasing the income they had been receiving from these assets. If the income and appreciation of the trust's investments, net of costs and fees, total 7% annually, their payments will grow to over \$33,647/year* in 16 years.
- The Chens will receive an immediate income tax charitable deduction of about \$250,155**.
- The Chens' trustee will be able to sell their stock immediately in order to diversify their unitrust's investments without paying any capital gains tax.
- Assuming its investments earn a 7% net annual return on the unitrust's investments, over \$686,393* will be left in the Chens' unitrust to support Mount Holyoke College when their unitrust terminates.

*The future payment amounts and principal amount remaining for Mount Holyoke College will be lower if the Chens' unitrust earns less than 7% annually.

**The Chens' income tax charitable deduction will vary slightly depending on the timing of their gift.

“I wanted to give to Mount Holyoke over the long term without sacrificing the near term. I felt more comfortable about retiring early because I had this income to tide me over until I chose to receive my retirement benefits.”

— Laura Nixdorf Bernstein '65

NEXT STEPS:

To receive further information and assistance on a charitable remainder unitrust, or to learn more about how your gift can help Mount Holyoke College, please contact Anne Vittoria.

- call (413) 538-2637
- email giftplanning@mtholyoke.edu

* Because everyone's situation is different, we encourage you to seek professional legal, estate planning, and financial advice before deciding on a course of action. This information does not constitute legal or financial advice and should not be relied upon as a substitute for professional advice.



Your gift is an investment in Mount Holyoke's vision for the liberal arts and supports its mission of preparing students to face the future with confidence.

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