Creating a charitable remainder unitrust at Carleton is a powerful way to advance your income, tax, and philanthropic goals. This one gift type allows you to create income, generate a charitable income tax deduction, and support Carleton’s commitment to excellence in liberal arts education.

Unitrusts require more planning than outright gifts of cash or even charitable gift annuities (which provide fixed income). Make sure to give yourself time to learn about and set the terms of your trust, review the unitrust agreement, and choose your funding asset(s). You also will need to discuss the gift you are considering with your advisors.

1. **TALK TO A CARLETON DEVELOPMENT OFFICER**
   The first step is to share the goals you have for your gift. In particular:
   - What do you hope your gift will accomplish? Would you like to create an endowed fund or support a particular project or department with the remainder of your gift?
   - What are your expectations for income and tax benefits? Let us know who you would like to receive the income from your trust (there can be more than one beneficiary), choose a payout rate (most people choose 5%), and how long the trust will pay income (for someone’s lifetime, a term of up to 20 years, or a combination).

   After you’ve talked over your questions and ideas with us, we can prepare income projections and deduction calculations for you that are tailored to your situation.

2. **CHOOSE YOUR FUNDING ASSET**
   Many different assets can be used to fund a unitrust, including:
   - Cash, stock, and mutual fund shares. These assets are easy to transfer, and are the most common funding assets.
   - Real estate, such as a vacation home or farmland. Funding a unitrust with property allows you to convert an illiquid asset into a gift and an income source.
   - Art, antiques, or other tangible personal property. These are less common funding assets for two reasons: the charitable deduction calculation is usually based on the donor’s cost basis rather than the asset’s current fair market value, and the deduction may not be available until the trust sells the item.
   - Business interests, such as closely-held stock, LLC membership interest, and shares in a partnership or limited partnership. Depending on the particulars, these may make excellent funding assets for a unitrust. Discuss the potential tax ramifications thoroughly with Carleton and your advisors before initiating any transaction involving them to make sure.

3. **REVIEW AND SIGN THE AGREEMENT**
   - Once you have decided on the terms of your gift and chosen your funding asset(s), it is time to have your trust drafted by a licensed and qualified attorney. Most people choose to have Carleton’s outside counsel prepare the draft agreement at no charge to you.
   - Carefully review the draft agreement with your attorney.
   - After the language is finalized, two copies will be prepared for your signature.
4. MAKE YOUR GIFT

- Once Carleton receives a signed final copy of your unitrust agreement, the College will open your trust account.
- Carleton will provide you with unique transfer instructions specific to your unitrust and the asset(s) you are using to fund it.
- Transfer your funding asset(s) using the instructions provided.

5. FULFILL IRS REPORTING REQUIREMENTS

The following information is provided to give you a general idea of the tax effects of establishing and receiving income from a unitrust. Please discuss your gift with your estate and tax advisors prior to establishing a unitrust to obtain complete tax information for your specific situation.

- Charitable income tax deduction: After you have made a gift to your unitrust, Carleton will provide you with a complete acknowledgment packet that includes a receipt and calculations that may assist you in determining the amount of your charitable income tax deduction for the year in which you funded the trust.
- Taxable income: The income you receive from your unitrust is taxable, usually partly as long term capital gains and partly as ordinary income. You will receive an IRS Form K-1 each year from Carleton College, as trustee of your trust, which will confirm the taxable character of your unitrust income for that year.
- Estate taxes: If you are the sole income beneficiary of your charitable remainder unitrust, the assets used to establish the gift will not be included in the taxable portion of your estate for federal estate purposes. If you name your spouse as a sole, joint, or successor beneficiary, the charitable remainder unitrust will avoid estate tax under the unlimited federal estate tax marital deduction. However, if someone else is a beneficiary (such as a child, former household employee, or sibling) in addition to your spouse, the unlimited marital deduction is lost.
- Gift taxes: If you establish a unitrust, you are required to file a gift tax return, even if you are the sole income beneficiary. If you establish a unitrust for your spouse, or for you and your spouse, your unitrust escapes gift tax because of the unlimited marital deduction. A gift tax return will still be required, and the unlimited marital deduction will not be available if the trust has another non-spouse beneficiary. Your taxable gift can be reduced by the amount of the gift tax annual exclusion ($14,000 per person in 2017). Also, you may avoid paying any gift tax by using part of your lifetime gift tax exemption, which for 2017 is $5.49 million per individual, $10.9 million for couples.

Finally, in the alternative, you may retain the right to revoke by will your spouse and all other income beneficiaries/ rights to the payments from the trust without disqualifying the trust as a CRT. This makes the taxable gifts to the income beneficiaries “incomplete” which delays the gift tax until each payment is made. At your death, however, the remaining value of the income interest will be included in your taxable estate.

6. CONSIDER MAKING ADDITIONAL GIFTS TO YOUR UNITRUST OVER TIME

After you’ve established a unitrust, it’s easy to make additions. Simply notify us that you’re planning to make another gift, then we’ll confirm your transfer instructions. You’ll increase the income from your trust, and be eligible for an additional charitable income tax deduction.

Thank you for considering establishing a charitable remainder unitrust with Carleton. If you have further questions, please contact the Development Office at planned-giving@carleton.edu or (507) 222-4200.