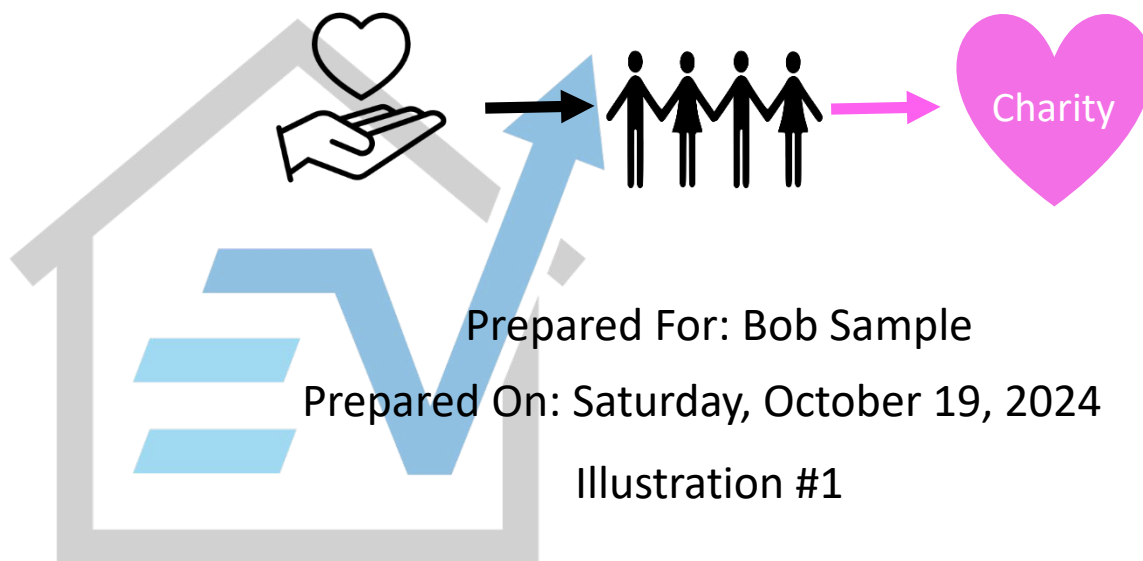


CRAT Calculator

Charitable Remainder Annuity Trust



Prepared For: Bob Sample

Prepared On: Saturday, October 19, 2024

Illustration #1

Disclaimer

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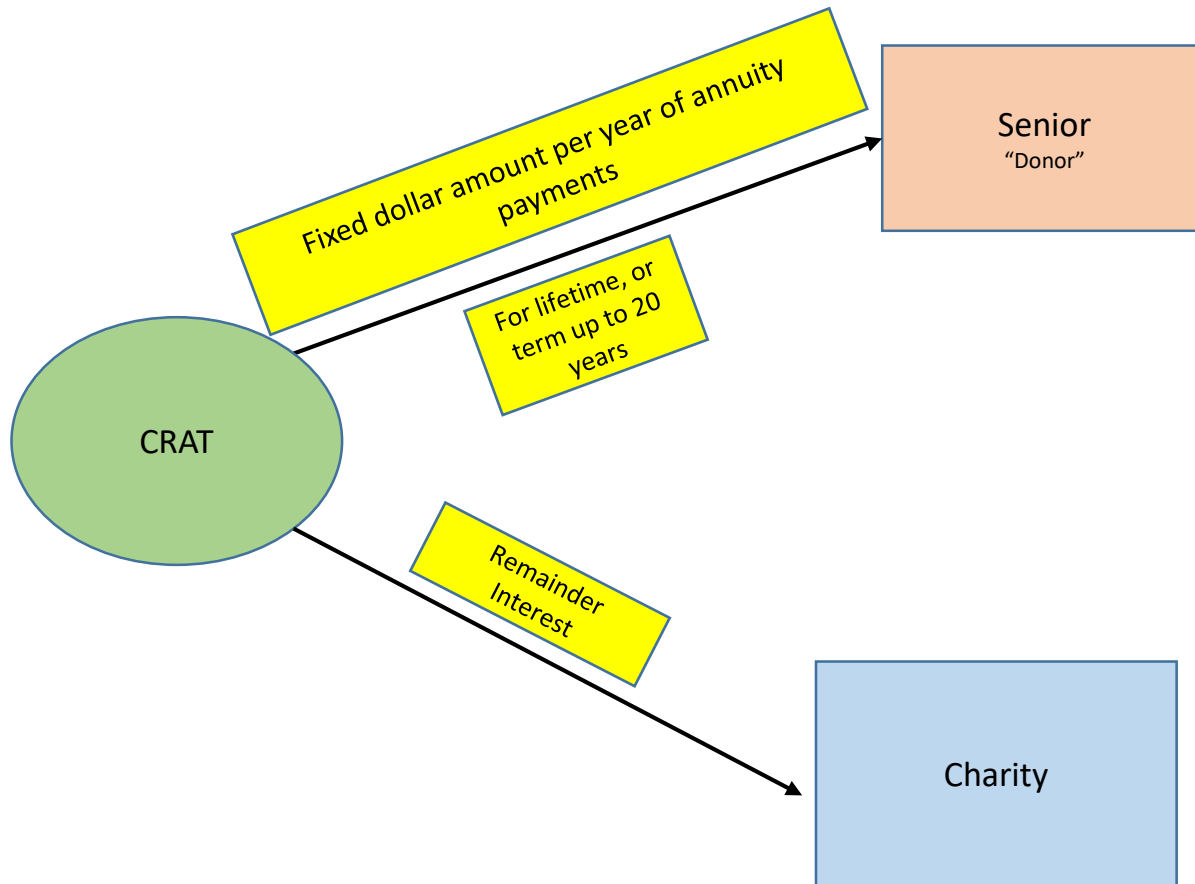
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Executive Summary

- This is an illustration of a Charitable Remainder Annuity Trust (CRAT), which involves the creation of a lifetime Trust with a gift of **\$20,000,000**, which will pay the Grantor **5.00%** annually (**\$1,000,000**) for the longer of the lives of Bob (age **70**) and Mary (age **N/A**).
- The Internal Revenue Code expressly provides for each Grantor to make a gift of a remainder interest in property in the form of a CRAT, while retaining a qualified retained annual payment right.
- In this case, the Grantor receives **annual** payments, for a specified number of years, based upon a percentage of the initial fair market value of the assets placed in trust. Additionally, the gift to the Trust will usually generate an income tax charitable deduction for the Grantor.
- The slide entitled “CRAT Details,” projects the income tax savings and some other financial numbers on a yearly basis for a **term of 20 years** years.

Anatomy of a CRAT



Important Characteristics of CRATs, CRUTs, and NIMCRUTs

| | CRAT | CRUT | Flip-NIMCRUT |
|---|---|---|---|
| Minimum Annual Payment | Yes  | No  | No  |
| Pays Greater Amounts if Values Increase | No  | Yes  | Yes  |
| Annual Valuations Required <small>*If there is an independent Trustee, real estate (and other non-marketable assets) may be valued by the Trustee instead of by a current qualified appraisal.</small> | No  | Yes  | Yes  |
| Payments Can Be Deferred (NIMCRUT and Flip-NIMCRUT) | No  | No  | Yes  |
| "5% Probability of Exhaustion Test" Applies | Yes  | Yes  | No  |
| 10% Minimum Remainder Requirement | Yes  | Yes  | Yes  |

Assumptions Overview

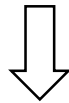
| | |
|----------------------------------|-------------|
| Transfer Date: | 10/19/2024 |
| Highest Available § 7520 Rate: | 5.20% |
| Number of Lives: | One |
| Grantor Age (Nearest Birthday): | 70 |
| 2nd Life Age (Nearest Birthday): | N/A |
| Table Life Expectancy: | 15.4 |
| Term of CRAT: | 20 years |
| Grantor Yr of Death: | 90 |
| 2nd Life Yr of Death: | N/A |
| Mortality Table: | Table2010CM |

| | |
|--|--------------|
| Payout Rate: | 5.00% |
| Annual Growth Rate: | 5.20% |
| Income Tax Rate: | 37.00% |
| Trust Value: | \$20,000,000 |
| Time Value of Money, Illustration, Rate: | 6.20% |

CRAT – Calculation Results

Inception

| CRAT |
|-------------------------------------|
| CRAT Value \$20,000,000 |
| Annual Growth Rate 5.20% |
| Payout Rate 5.00% \$1,000,000 |



After 20 years

| CRAT |
|----------------------------|
| CRAT Value \$21,351,815 |

Year 1

John has put
\$20,000,000
into the
CRAT.

John receives an income tax deduction of \$7,746,442 - remainder interest actuarially required to equal 10 percent of day one value.

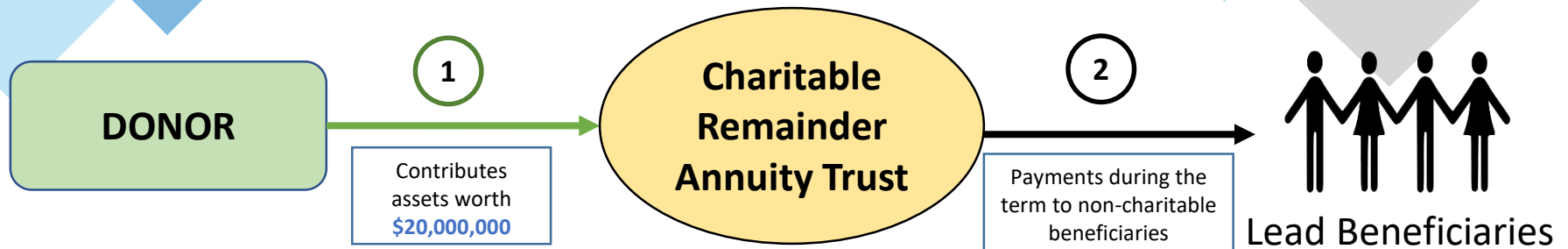
Years 1 to 20

The **CRAT**
makes
annual
payments to
John or his
family.

Year 20

The **CRAT**
pays
\$21,351,815
to charity

Set up for an Inter Vivos CRAT



Donor transfers **\$20,000,000** assets to CRAT and receives income tax charitable deduction of approximately **\$7,746,442**. The Donor may also receive a gift tax charitable deduction if the contribution is considered to be a completed gift. Note that the gift is not complete if the Donor retains the right to change the charity with the remainder interest.

Assets may include:

- Cash
- Stocks & Bonds
- Real Estate

Not suitable for:

- Property subject to debt (unless the debt or the Grantor's liability for the debt is removed before the transfer)

Note regarding valuations: If unmarketable assets are transferred, the annual valuation must be performed by either an independent trustee or a qualified appraisal from a qualified appraiser. Therefore, if unmarketable assets are transferred to the trust it is likely advisable to select an independent trustee to avoid the annual costs associated with hiring an appraiser.

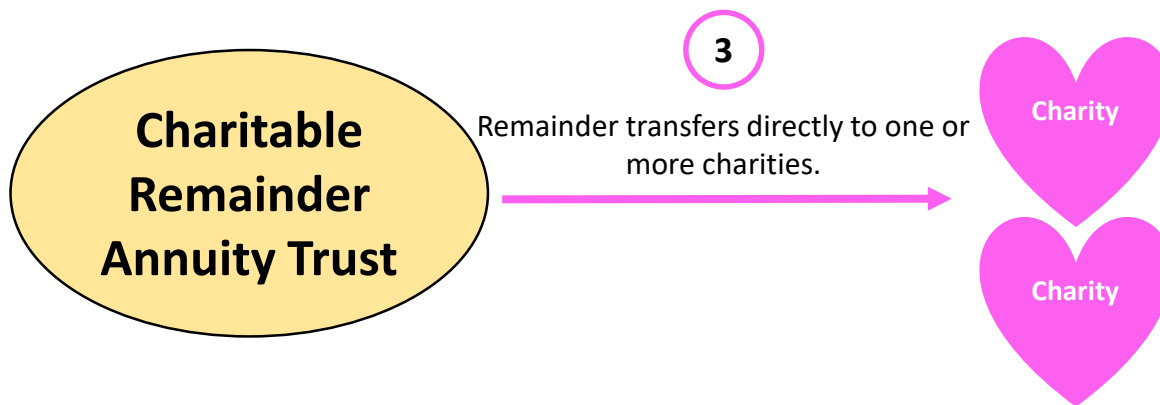
Trust makes payments of a fixed annual (semi annual, quarterly or monthly) dollar amount of **\$1,000,000** to the Donor or other non-charitable beneficiaries for Donor's lifetime or a term of **a term of 20 years** years.

The total payments to the Donor or other non-charitable beneficiaries are projected to be **\$20,800,000**.

The CRAT is a tax-exempt entity and does not pay tax on the gain from the sale of an appreciated asset. But be aware that CRATs are subject to the 100% tax on unrelated business taxable income.

Beneficiaries are taxed on distributions from the trust. The income from the trust is considered to come out "worst-first," with distributions meaning from the highest tax-rate class first.

After the CRAT Term Ends



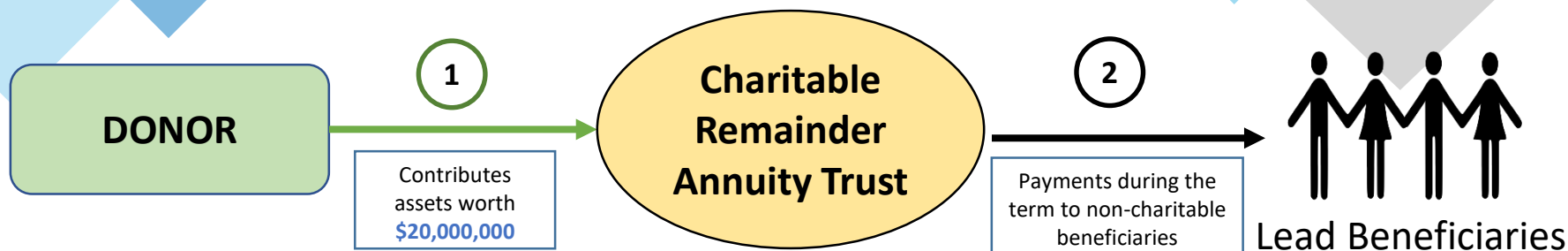
5% Probability of Exhaustion Test Warning:

The "5% Probability of Exhaustion Test" applies to CRATs. There must be less than a 5% chance that the Trust assets will be exhausted before the end of the term, based upon the IRS table calculations. If the CRAT fails this Test, then no charitable deduction will be allowed.

The probability of exhaustion is **0.00%**.

The Remainder Value is projected to be **\$21,351,815** which is transferred directly to one or more charities.

Pre-plan to Create a Testamentary CRAT



CRAT is funded after death of Grantor with specific or residual estate assets worth **\$20,000,000**. The Estate of Donor receives an estate tax charitable deduction of approximately **\$7,746,442**.

Assets may include:

- Cash
- Stocks & Bonds
- Real Estate

Not suitable for:

- Property subject to debt (unless the debt or the Estate's liability for the debt is removed before the transfer)

Note regarding valuations: If unmarketable assets are transferred, the annual valuation must be performed by either an independent trustee or a qualified appraisal from a qualified appraiser. Therefore, if unmarketable assets are transferred to the trust it is likely advisable to select an independent trustee to avoid the annual costs associated with hiring an appraiser.

Trust makes payments of a **5.00%** fixed percentage of the net fair market value of the property under the trust, valued and paid **Term**, to non-charitable beneficiaries for a term of **20 years**.

The total payments to non-charitable beneficiaries are projected to be **\$20,800,000**.

The CRAT is a tax-exempt entity and does not pay tax on the gain from the sale of an appreciated asset. But be aware that CRATs are subject to the 100% tax on unrelated business taxable income.

Beneficiaries are taxed on distributions from the trust. The income from the trust is considered to come out "worst-first" with distributions, meaning from the highest tax-rate class first.

The remaining assets after the payment term are transferred to charity or charities.

After the CRAT Term Ends

3

**Charitable
Remainder
Annuity Trust**

Remainder transfers directly to one or
more charities.

Charity

Charity

The Remainder Value is projected to be **\$21,351,815** which is transferred directly to
one or more charities.

CRAT Summary

| CRAT # | Term of CRAT | Number of Lives | Grantor Age | Survivor Age |
|--------|--------------|-----------------|-------------|--------------|
| #1 | 20 | One | 70 | N/A |

| Contribution Amount | 1 st Yr Payment Rate | 7520 Rate |
|---------------------|---------------------------------|-----------|
| \$20,000,000 | 5.00% | 5.20% |

| IRS Table Life Expectancy | Year of Death | Actual Life Expectancy | Growth Rate | Total Annuity Payments | Illustrated End Value | Year 1 Income Tax Savings |
|---------------------------|---------------|------------------------|-------------|------------------------|-----------------------|---------------------------|
| 15.4 | 20 | 110 | 5.20% | \$20,800,000 | \$21,351,815 | \$2,866,183 |

| Annual Annuity Amount | Annuity Factor | 7520 Reportable Value of Annuity | 7520 Reportable Charitable Remainder | Probability of Exhaustion |
|-----------------------|----------------|----------------------------------|--------------------------------------|---------------------------|
| \$1,000,000 | 12.2536 | \$12,253,558 | \$7,746,442 | 0.00% |

| Actual Present Value Discount Rate | Yr 1 Tax Savings + Actual PV of Annuity | Actual Present Value of Annuity | Actual Present Value of Remainder |
|------------------------------------|---|---------------------------------|-----------------------------------|
| 6.20% | \$14,635,190 | \$11,769,007 | \$7,363,839 |

CRAT Details Table

Show Every Year(s) ☐ Year Of Death ☒ End Of Term

 Export to Excel

| Year | Year # | Survivor Age | Beginning Value | Growth | Annuity Amount* | End Value | Yr 1 Pmt Rate | PV of Annuity Payments | PV of Remainder |
|------|--------|--------------|-----------------|----------------|-----------------|-----------------|---------------|------------------------|-----------------|
| 2025 | 1 | 0 | \$20,000,000.00 | \$208,000.00 | \$200,000.00 | \$20,008,000.00 | 5.00% | \$190,114.07 | \$19,019,011.41 |
| 2026 | 2 | 0 | \$20,008,000.00 | \$1,040,416.00 | \$1,000,000.00 | \$20,048,416.00 | 5.00% | \$1,093,698.05 | \$18,115,427.43 |
| 2027 | 3 | 0 | \$20,048,416.00 | \$1,042,517.63 | \$1,000,000.00 | \$20,090,933.63 | 5.00% | \$1,952,618.18 | \$17,256,507.30 |
| 2028 | 4 | 0 | \$20,090,933.63 | \$1,044,728.55 | \$1,000,000.00 | \$20,135,662.18 | 5.00% | \$2,769,082.18 | \$16,440,043.30 |
| 2029 | 5 | 0 | \$20,135,662.18 | \$1,047,054.43 | \$1,000,000.00 | \$20,182,716.61 | 5.00% | \$3,545,188.64 | \$15,663,936.83 |
| 2030 | 6 | 0 | \$20,182,716.61 | \$1,049,501.26 | \$1,000,000.00 | \$20,232,217.87 | 5.00% | \$4,282,932.43 | \$14,926,193.04 |
| 2031 | 7 | 0 | \$20,232,217.87 | \$1,052,075.33 | \$1,000,000.00 | \$20,284,293.20 | 5.00% | \$4,984,209.79 | \$14,224,915.68 |
| 2032 | 8 | 0 | \$20,284,293.20 | \$1,054,783.25 | \$1,000,000.00 | \$20,339,076.45 | 5.00% | \$5,650,823.25 | \$13,558,302.22 |
| 2033 | 9 | 0 | \$20,339,076.45 | \$1,057,631.98 | \$1,000,000.00 | \$20,396,708.43 | 5.00% | \$6,284,486.24 | \$12,924,639.23 |
| 2034 | 10 | 0 | \$20,396,708.43 | \$1,060,628.84 | \$1,000,000.00 | \$20,457,337.27 | 5.00% | \$6,886,827.48 | \$12,322,297.99 |
| 2035 | 11 | 0 | \$20,457,337.27 | \$1,063,781.54 | \$1,000,000.00 | \$20,521,118.81 | 5.00% | \$7,459,395.20 | \$11,749,730.27 |
| 2036 | 12 | 0 | \$20,521,118.81 | \$1,067,098.18 | \$1,000,000.00 | \$20,588,216.99 | 5.00% | \$8,003,661.10 | \$11,205,464.37 |
| 2037 | 13 | 0 | \$20,588,216.99 | \$1,070,587.28 | \$1,000,000.00 | \$20,658,804.27 | 5.00% | \$8,521,024.12 | \$10,688,101.35 |
| 2038 | 14 | 0 | \$20,658,804.27 | \$1,074,257.82 | \$1,000,000.00 | \$20,733,062.09 | 5.00% | \$9,012,814.06 | \$10,196,311.41 |
| 2039 | 15 | 0 | \$20,733,062.09 | \$1,078,119.23 | \$1,000,000.00 | \$20,811,181.32 | 5.00% | \$9,480,294.99 | \$9,728,830.47 |
| 2040 | 16 | 0 | \$20,811,181.32 | \$1,082,181.43 | \$1,000,000.00 | \$20,893,362.75 | 5.00% | \$9,924,668.50 | \$9,284,456.96 |
| 2041 | 17 | 0 | \$20,893,362.75 | \$1,086,454.86 | \$1,000,000.00 | \$20,979,817.61 | 5.00% | \$10,347,076.78 | \$8,862,048.68 |
| 2042 | 18 | 0 | \$20,979,817.61 | \$1,090,950.52 | \$1,000,000.00 | \$21,070,768.13 | 5.00% | \$10,748,605.56 | \$8,460,519.90 |
| 2043 | 19 | 0 | \$21,070,768.13 | \$1,095,679.94 | \$1,000,000.00 | \$21,166,448.07 | 5.00% | \$11,130,286.91 | \$8,078,838.55 |
| 2044 | 20 | 0 | \$21,166,448.07 | \$1,100,655.30 | \$1,000,000.00 | \$21,267,103.37 | 5.00% | \$11,493,101.88 | \$7,716,023.57 |
| 2045 | 21 | 0 | \$21,267,103.37 | \$884,711.50 | \$800,000.00 | \$21,351,814.87 | 5.00% | \$11,769,006.80 | \$7,363,838.57 |

Conclusion

Thank you!

Taking the time to learn about Charitable Remainder Annuity Trusts (CRATs) is an important step to understanding your estate plan.

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