

## DEFINITION OF A CHARITABLE REMAINDER ANNUITY TRUST

A separately invested trust created by a gift of cash and/or securities or other property requiring the payment of a fixed dollar amount (which must be at least 5% of the initial fair market value of the gift establishing the trust, and can be higher if so stated in the trust agreement) at least annually to the Donor and/or other named beneficiaries (who must be living at the time the trust is created) for the life or lives of the beneficiary(ies) or for a term of years (not to exceed twenty years). Upon the death of the last surviving beneficiary, or at the end of the term of years, the trust terminates and the trust assets are transferred to the charitable organization for which it was created. See Section 664(d)(1) of the Internal Revenue Code and Sections 1.664-1, 1.664-2 of the Internal Revenue Regulations.

To the extent that the investment income of the trust assets is insufficient to make the required annual payout, the balance must be paid from principal. The trustee can be the charitable organization for whom the remainder interest is designated, or may be an individual (other than the Donor himself or a non-charitable beneficiary of the trust) or a corporate trustee such as a bank or trust company. A charitable organization can be an income beneficiary so long as there is at least one non-charitable beneficiary. Except for the required payout from the trust to the income beneficiaries, the trust may not be invaded, altered, amended or revoked for the beneficial use of a person other than an organization described in Code Section 170(c).