



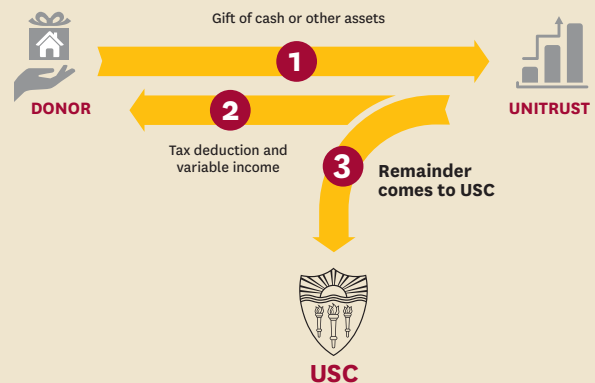
Charitable Remainder Unitrust

A **Charitable Remainder Unitrust (CRUT)** can provide you with an income for life, save on capital gains taxes, and provide you with an immediate income tax deduction, while allowing you to make a meaningful gift to USC in the future.

Benefits and Considerations

- **What is a CRUT?** It is a form of a 'life income gift,' where the donor establishes a trust, funds it with cash or other assets, receives an annual payout from the trust for life or for a term of years, and thereafter USC receives the remainder.
- **CRUT payments vary from year to year.** A CRUT pays the beneficiaries a fixed percentage (typically 5%) per year of the value of the assets in the trust, usually valued as of January 1. As the value of the portfolio fluctuates from year to year, so do the annual payouts.
- **Trustee.** You have a range of choices in naming a trustee. You may serve as your own trustee, you may appoint a trusted advisor or other individual, a bank or trust company, or USC.
- **Investment options.** If USC is named as the trustee of your CRUT there are two options for investment: The first option consists of a balanced portfolio of equities and fixed income funds. The second option allows you to invest your CRUT with the USC Endowment Pool, which achieved a 7.3% average annual return over the past ten years ending June 30, 2012.
- **USC has a significant portfolio of CRUTs.** The University currently serves as trustee of over 190 CRUTs with a combined market value of \$200 million—making it one of the largest charitable trust programs in higher education.
- **Professional administration.** USC has hired State Street Global Advisors to act as the administrator and custodian of the trusts. State

How It Works:



- 1 The USC Office of Gift Planning can assist you and your advisors in completing the legal documents and paperwork to establish the trust.
- 2 You will then fund the trust with cash, securities, real estate or other assets.
- 3 You receive an income tax deduction in the year you make the gift and avoid capital gains taxes on any sale of assets gifted.
- 4 You (and/or your designated beneficiaries) receive an annual payout for life or for a fixed term of up to 20 years.
- 5 At the end of the trust term (or the passing of the named beneficiaries), the remaining assets will be distributed to USC for the purpose you have designated.

Street provides a high level of service to all life income recipients as they coordinate quarterly payments and prepare all trust financial reports and tax-related documents. There are no fees or charges associated with the administration of your CRUT if USC is the trustee.

Frequently Asked Questions about **Charitable Remainder Unitrusts**

What is the minimum amount to establish a CRUT at USC?

\$100,000.

What is the typical payout on a CRUT?

The minimum payout by law is 5%, which USC recommends in most cases. A higher payout could deplete the principal and negatively impact the long-term payout to beneficiaries as well as the remainder value to USC.

Does a CRUT pay any investment management or administrative fees?

If USC is named as the trustee, all investment management and administrative fees are paid directly by USC and not charged to the trust.

Will I get an income tax deduction for making this gift?

You receive an immediate income tax deduction which represents the present value of your future gift to USC. For example, if a 70 year old established a CRUT for life and funded it with \$1 million cash, he would receive a charitable income tax deduction of around \$521,000. The difference represents the present value of the anticipated future CRUT payouts to the beneficiary.

Is it better to fund a CRUT with cash or appreciated assets?

It usually is advantageous to use appreciated assets. CRUT's are tax-exempt so if you fund a CRUT with appreciated securities, property, or other assets, no capital gains tax is due upon sale. Thus the entire amount of the gift proceeds can be invested and continue to compound within the CRUT on a tax-free basis.

Can I establish a CRUT at my death?

Yes. A testamentary CRUT can be created through your will or living trust. The CRUT would not be established until your death, at which point it would be funded with the assets you designate and begin making payments to your beneficiaries immediately thereafter. A testamentary CRUT can be a smart tax-advantaged way to provide a regular stream of income to surviving family members, while ultimately supporting USC upon their passing.

What's the difference between a CRUT and a USC Charitable Gift Annuity?

Payments from a CRUT vary from year to year, whereas payments from a USC Charitable Gift Annuity are fixed. In any given year, CRUT payments will be larger if the value of the trust increases, but will be smaller if the value of the trust decreases. Donors who seek the certainty of a fixed annual payment find the benefits of a USC Charitable Gift Annuity preferable to a CRUT.

Who should I call if I have questions or would like more information?

The USC Office of Gift Planning is staffed with experts who are available to assist or meet with you and your advisors

Please feel free to contact us:

USC Office of Gift Planning
1150 S. Olive Street
Los Angeles, CA 90015
(213) 740-2682
www.usc.edu/giftplanning