Help yourself while helping others

The power of pairing a charitable trust with an annuity

Would you be interested in a charitable giving strategy that creates an additional source of retirement income? A charitable remainder trust allows you to help others while enjoying significant financial benefits including an income stream to supplement your retirement and an immediate income tax deduction. Better yet, the income stream is flexible. It can be timed to coincide with your income needs. All of this and more can be accomplished by pairing a charitable remainder trust (CRT) with a deferred annuity.

CRT basics

A CRT is a time-tested planning technique recognized under the Internal Revenue Code. It combines charitable giving with income retention. It is known as a split-interest gift: part of the gift is assigned to charity and part of the gift stays with you and/or your spouse in the form of an income stream.

Under a typical CRT, an asset is donated to an irrevocable trust established to benefit a non-charitable income beneficiary (usually you and/or your spouse) and one or more charities of your choosing. The income stream you receive from the trust is either for a term of years or for life. Tax rules require an annual income of at least 5% of the trust value. Distributions are taxable when received.

When you establish and fund the trust, you receive an immediate income tax charitable deduction based on the "remainder" value of the donated asset that will eventually pass to charity.

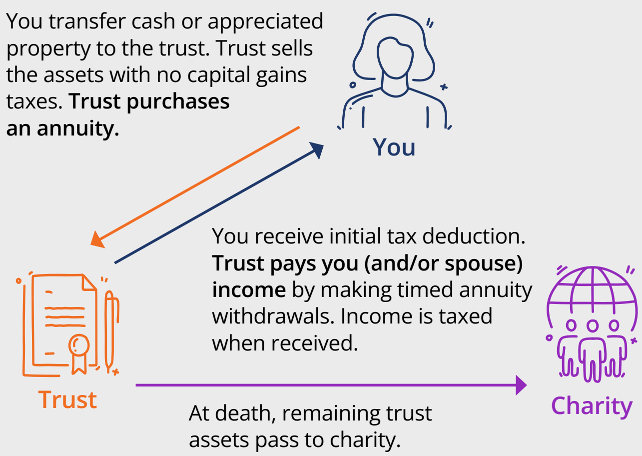
At the end of the trust term the charity receives the remaining trust assets. Tax rules require a 10% charitable remainder amount calculated at at the time of the donation.

Enter the make-up CRT

CRTs come in many flavors. One type, known as a make-up CRT, adds an extra layer of flexibility and control.

Unlike a standard CRT which pays you a mandatory income, a make-up CRT pays the lesser of the annual income generated by trust assets or the stated percentage indicated in the trust.

CRTs and deferred annuities



If the trust does not generate sufficient income, or any income, in a given year, the shortfall is added to a "make-up" account to be paid to you in future years when income is sufficient. It may be an excellent fit if you want to manage both the timing and amount of income you take in a given year.

Why annuities?

It's all about matching the timing of distributions with your need for income. For example, suppose you are still working and do not need additional income for the next 5-10 years, but want the potential to grow it for later when you retire. The trustee can purchase a deferred annuity and delay withdrawals from the annuity, deferring taxes, all while allowing the annuity to grow. When you retire, your CRT income stream can be tuned on, including the make-up amount that accumulated during your working years. The unique ability to toggle income on or off creates flexibility to time and manage both your income needs and your taxes.

continued

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Powerful benefits

- **Income tax deduction.** When the charitable contribution is made, you receive a current income tax deduction. Any amount of the deduction not taken in the current year can be carried forward for up to five additional years.
- **Predictable income stream.** This type of charitable trust provides a predictable income stream for life or over a specific time period.
- **Capital gains tax avoidance.** Property donated to a charitable trust is sold by the trust with no capital gains tax. You are taxed when receiving income from the trust.
- **Income timing.** By using a deferred annuity contract, income can be toggled on or off by the trustee. This flexible tax planning feature can help you manage income and help prevent bracket creep.
- **Estate tax reduction.** The donated asset and future appreciation is removed from your estate reducing potential estate tax exposure.
- **Legacy of philanthropy.** At death, the charity (or charities) receives the remaining trust assets. It is an opportunity to make a significant charitable impact.

Does this describe you?

- **You have multiple goals.** You are interested in supporting a charity while also building a guaranteed income fund to supplement your retirement.
- **Pre-retiree interested in control.** You have 10-15 years until retirement and are interested in accumulating guaranteed savings on a tax-deferred basis with the ability to activate the income stream when desired.
- **Maxed-out saver.** You have maximized contributions to your 401(k) or other retirement plan and are looking to save more.
- **Hold temporary accounts.** You have a retirement account that expires after a set period of time. For example, you have a deferred compensation plan that pays a benefit for a stated number of years. After the plan expires, an additional income stream may be desired to fill the gap.
- **"I'm good now."** You have plenty of income today but would like a flexible strategy to grow even more income later.
- **Desperately seeking diversification.** You hold a large amount of your investment portfolio in one company, it is highly appreciated, and you want to diversify and create guarantees – without immediate taxation.
- **Big gains, big taxes?** You hold highly appreciated capital gains property such as securities or real estate and are interested in strategies to smooth out the tax exposure when the assets are liquidated.

Talk to your financial professional today.

This flyer provides general information that should not be construed as specific tax or legal advice nor the law of any particular state. You should seek the advice of a qualified tax or legal professional for your specific situation.

Annuities are long-term investment vehicles designed to accumulate money on a tax-deferred basis for retirement purposes. Upon retirement, annuities may provide an income stream or a lump sum. If you die during the accumulation or payout phase, your beneficiary may be eligible to receive any remaining Contract Value.

There is no additional tax-deferral benefit for contracts purchased in an IRA or other tax-qualified retirement plans because such retirement plans already have tax-deferred status. An annuity should only be purchased in an IRA or qualified plan if the contract owner values some of the other features of the annuity and is willing to incur any additional costs associated with the annuity.

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