



Sales of CRT Income Interests

An Advisor's Guide



“Most clients with CRTs don’t understand their full range of secondary planning options; they naturally assume that because their CRT is irrevocable, they’re stuck with it for life. It’s therefore becoming increasingly important for advisors to inform their clients with CRTs of all the available secondary planning options so that clients are in a position to make changes if the need arises.”

**“Secondary Planning for CRTs”
Journal of Estate & Tax Planning
National Association of Estate Planners & Councils**

Table of Contents

(Click any page number to go directly to that section.)

Why People Create CRTs.....	3
Why CRT Misalignments Occur.....	5
How to Fix CRT Misalignments.....	9
Sales of CRT Income Interests.....	15
<i>The Process of Selling</i>	17
<i>Case Study: John & Linda Reiss</i>	19
<i>Review of the Reiss CRT Income Interest</i>	21
<i>Frequently Asked Questions</i>	29
About CRT Experts.....	33
ADDITIONAL RESOURCES	
“Maturing CRT Market Fuels Demand for Income Interest Sales”.....	37
© 2024, Atlanta Bar Association	
“Exit Strategies for Charitable Remainder Trusts”	41
© 2020, Kiplinger	
“Essential Planning Options for Older CRTs”	43
© 2025, CRT Experts	
CRT Transaction Related Authorities.....	53
Written Comments from Sellers.....	55
Evaluation Request Form.....	59

“Just because a client is exiting his CRT today doesn’t mean he made a mistake in setting it up. Suppose that a couple buys a house, lives in it for a few years, then sells it. Does that mean the original purchase was a mistake? Of course not. A man buys a new car, drives it for three years, and sells it. Was the purchase a mistake? Few would say so based solely on the fact of the sale. Similarly, a sale of a CRT lead interest does not mean that the original CRT was a mistake. The couple lived in the house; the man drove the car; and the CRT grantor got an upfront tax deduction and income while he held the CRT interest. All exit when they have a reason to.”

**“Selling CRT Lead Interests”
Trusts & Estates**

Why People Create CRTs

There are three main reasons people set up CRTs. These are to defer taxes on gain, to use pre-tax money to generate future income, and to obtain an income tax deduction.

Reason 1: To diversify an appreciated asset, while deferring taxes on the sale.

Most CRTs are created when a donor intends to sell an appreciated asset. By contributing the asset to the CRT prior to the sale, the donor avoids immediate recognition of capital gains, as the trust is a tax-exempt entity. The CRT sells the appreciated asset without incurring capital gains tax and reinvests the full proceeds. Moving forward, the CRT distributes income to the income beneficiary(ies)—usually the donor and the donor’s spouse—who pay tax only as they receive income. Most CRTs are lifetime trusts, meaning they distribute income for the lifetime(s) of any income beneficiaries. Some CRTs distribute income for a fixed term of years (maximum of 20). All CRTs—whether lifetime or term trusts—eventually distribute all of their assets to charity.

Reason 2: To generate a stream of income with pre-tax dollars.

Since the CRT retains the full proceeds from the sale of the donated asset without any tax reduction, the entire amount can grow and generate income. The amount of income distributed from the trust depends on the type of CRT. A charitable remainder annuity trust (CRAT) pays out a fixed dollar amount each year—the annual distribution remains the same from year to year, regardless of trust value. A charitable remainder unitrust (CRUT) pays out a fixed percentage of its beginning value each year—the distribution varies from year to year, based on trust value. Most outstanding CRTs—about 87%, according to the most recent IRS data—are CRUTs.

Reasons 1 and 2 are closely related, because almost everyone who creates a CRT does so because they expect that the value of the resulting cash flow stream (reason 2) will be greater than the amount they could have realized from the sale of the asset (reason 1). Whether or not this turns out to be the case depends on what happens after the CRT is set up. Primary factors include investment returns, tax rates, and how long the income beneficiaries live.

Reason 3: To obtain an income tax deduction.

When a donor contributes to a CRT, they are making a charitable donation, which is deductible for federal income tax purposes and in most states with an income tax. The amount of the tax deduction is determined by four variables: the value of the assets placed in trust; the present value of the payments the income beneficiary is expected to receive; the interest rate (set monthly by the IRS); and the projected length of the trust, which will be either a set number of years or based on life expectancy (most CRTs are lifetime trusts and thus based on life expectancy). Depending on the structure of the CRT and the donor's individual tax circumstances, this deduction can potentially offset income taxes for several years, effectively making a portion of the CRT income tax-free.

What about Charity?

Although charitable intent is a factor in all CRTs, it's not often the primary motivation. This is because individuals with a strong desire to give to charity usually choose more direct methods of giving. For instance, someone with highly appreciated stock and strong philanthropic intent might donate the stock directly to a charity or their donor-advised fund or private foundation, receiving a tax deduction and avoiding capital gains tax entirely. However, this approach doesn't provide them with ongoing income (reason 2).

Not All CRUTs are Created Equal

While all CRUTs have a fixed percentage payout rate, there are three types of CRUTs, and each type distributes income differently.

1. A Standard CRUT (SCRUT) distributes a fixed percentage, regardless of trust accounting income.
2. A Net Income with Makeup CRUT (NIMCRUT) distributes the lesser of a fixed percentage and trust accounting income, but any shortfall—the difference between the fixed percentage amount and what was actually distributed—is carried forward and can be distributed in future years given sufficient trust accounting income.
3. A Net Income CRUT (NICRUT) operates like a NIMCRUT with no makeup provision.

A fourth type of CRUT—called a “Flip CRUT”—starts out as a NIMCRUT and “flips” into a SCRUT upon a triggering event, which can be anything outside of the donor's control. In practice, the triggering event is usually the sale of the property donated to the CRUT or a date certain.

Why CRT Misalignments Occur

Most CRTs are designed to last for clients' lifetimes and have long lifecycles, usually several decades. At the time they're established, the CRT typically aligns well with the client's needs—whether it's a Standard CRUT, NIMCRUT, or CRAT—with the right payout rate, beneficiaries, and structure. However, since a CRT is irrevocable and its terms can't be altered, it remains fixed even as the client's life evolves. This long-term rigidity, coupled with the natural changes that occur over time, can eventually create a disconnect between the client's current circumstances and the irrevocable trust they set up many years earlier.

Given this, it's understandable that the longer a CRT has been in place, the more likely it is that the client will want to make adjustments. A client who set up their CRT just two years ago is probably in a similar situation today to when the trust was created. In contrast, someone who established their CRT fifteen years ago is much more likely to have experienced significant life changes. Additionally, shifts in tax laws and economic conditions—which can cause misalignment even if the client's personal situation hasn't changed much—are far more likely to happen over fifteen years than in just two.

The story featured in the *Kiplinger* article on page 41 illustrates a common CRT lifecycle. Bill and Sandy's CRT had met their needs for many years, but as their lives evolved, the trust's unchangeable terms no longer aligned with their current circumstances. Bill's comment below reflects a sentiment we frequently hear from CRT beneficiaries: they don't regret setting up the trust and were satisfied with how it functioned for some time, but life changed, and the CRT couldn't be adjusted like their other planning.

“That CRT worked so well for so many years. But as I look at it now, it's unlike everything else we owned. Our house worked great, but when the kids moved out, we sold it. Our investment advisers have retooled our portfolio as we've gotten older and we updated our trust and estate planning as the grandkids were born. We even traded in the Suburban for a sedan. But this CRT, which was such a great fit for so many years, can't change like those other things.”

The illustration on the next page, drawn from Bill and Sandy's CRT experience, represents a typical CRT lifecycle.



CRT Inception

Bill and Sandy, a couple in their 50s with two teenage children, establish a CRT to sell appreciated stock and generate income to support their active lifestyle.



10 Years Later

Now in their 60s and transitioning into retirement, Bill and Sandy find the CRT's administrative tasks more cumbersome than expected, but appreciate that the CRT's income continues to fund their travel and cover college expenses.



20 Years Later

Now in their 70s and enjoying retirement at a slower pace, Bill and Sandy are trying to simplify things and *minimize* their taxable income. Their planning goals have shifted to their children and new grandchildren.



CRT Exit

Bill and Sandy bring their CRT journey to a satisfactory conclusion by selling their income interest and redeploying the proceeds for their children and grandchildren.

CRT LIFECYCLE

When CRT Misalignments Occur

We recently conducted a meta-analysis of several prior studies we'd done on when misalignments occur. Our objective was to identify a specific time frame—based on a CRT's age—when misalignments typically begin to emerge. We found that most misalignments—about 86% of the total—were associated with CRTs that were more than 10 years old. Based on these results, we believe the 10-year mark is a key “checkpoint” for advisors to use with their clients who have CRTs.

Once a CRT is 10 years old, it should be reviewed annually to ensure it remains aligned with the client's current situation.

CRT Reviews & Client Awareness

In many ways, a client's CRT planning is no different from their investment, estate or tax planning. As the client ages, the planning should be reviewed to ensure it is the optimal planning for the client's situation at the current time, and adjustments should be made as necessary. For example:

- Financial advisors adjust investment portfolios as clients approach and enter retirement.
- Attorneys update trust and estate plans when clients experience significant life changes such as births, divorces, remarriages, or shifts in wealth.
- CPAs help clients make strategic tax moves when changes in tax rates are anticipated.

Does any of this mean the previous planning wasn't a good fit when it was implemented? Of course not. The advisor is simply adjusting the client's planning so it is the best fit for their current situation. In this way, CRTs are no different, and evaluating the continuing usefulness of a client's CRT should be a routine part of any regular financial or trust and estate review.

When it comes to client awareness, however, CRTs are different. The irrevocable nature of the trust often leads to the (mis)perception that the trust is a “lifetime lockup,” and because CRTs are uncommon, there is not the general awareness that exists with more common types of planning. Clients know they can sell their house when they wish to downsize, adjust their investment portfolios as they grow older, and update their estate plans when grandchildren arrive. But most are unaware of the options they have concerning their CRTs.

How a CRT Can Be Like a House

People often purchase a home that seems like the perfect fit at the time—right size, right price, right neighborhood, etc. But they probably don't expect to stay there forever. Over time, the house may no longer suit their needs. Children may grow up and move out, a job change may require a move, health changes may occur. It is no longer a near-perfect fit—so they make a change. That doesn't mean it was a mistake to buy the house in the first place.

The same idea applies to a CRT. It may have been an ideal solution when it was established, with the perfect payout rate, income beneficiaries, and tax benefits. However, just like a home, circumstances can change, and the CRT may no longer be the best fit. The CRT may have been the perfect choice at the time it was created, but it might not be the best option now.

While the CRT itself is irrevocable and the donor cannot alter the trust or undo its creation, the donor owns the right to receive payments from the CRT. This gives them the flexibility to make several decisions, such as keeping the trust as-is, donating the right to charity, selling it, or rolling it over into a new CRT.

“Several months ago, we were presented with the opportunity to transfer the future income from our charitable remainder trust to a buyer via CRT Experts and take a cash payout. The trust had served us well since it was established in 1996, but as we’ve gotten on in years there was a desire to simplify our financial lives, while unburdening ourselves of market uncertainties and the administrative expenses associated with the trust. CRT Experts’ staff handled our transaction professionally and expeditiously. Their prior experience handling a multitude of like transactions was reassuring, and the process was not complicated.”

Stephen & Francine G.
West Palm Beach, FL

How to Fix CRT Misalignments

Fortunately, clients with CRTs that no longer align with their current needs or goals have options. These options are commonly referred to as CRT *secondary planning options*.

Although each secondary planning option leads to a different outcome for the client, they are all possible because the IRS treats the income interest in a CRT as a capital asset. As such, and like other capital assets—stocks, bonds, real estate, etc.—a CRT income interest can be sold, used to create a new CRT with different terms, or donated to charity.

When a CRT-client misalignment exists, one of the following three CRT secondary planning options can effectively fix the misalignment in the vast majority of cases.

Sale of CRT income interest

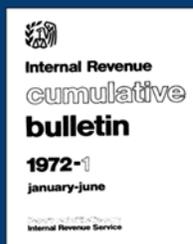
A CRT income beneficiary can sell their income interest to a third-party buyer.

CRT rollover

A CRT income beneficiary can use their income interest to create a new CRT with different terms.

Gift of CRT income interest

A CRT income beneficiary can donate their income interest to a qualified charitable organization.



Revenue Ruling 72-243, 1972-1 C.B. 233



"...the proceeds received by the life tenant of a trust, in consideration for the transfer of the life tenant's entire interest in the trust...are treated as an amount realized from the sale or exchange of a capital asset under § 1222."



"Section 1223(3) provides that the term "long-term capital gain" means gain from the sale or exchange of a capital asset held for more than one year."



See also:

- *McCallister v. Comm'r.*, 157 F.2d 235 (2d Cir. 1946), cert. denied, 330 U.S. 826 (1947)
- PLR 200152018
- PLR 200127023

- See page 53 for additional CRT transaction related authorities -

Sale of CRT Income Interest

In effect, selling a CRT income interest allows future trust payments to be exchanged for a single lump-sum cash payment received today—the seller receives cash and the CRT's income stream is redirected to the third-party buyer. This is by far the most widely used secondary planning option, and the remaining sections of this Advisor's Guide will examine it in detail.

Sale of CRT Income Interest ≠ CRT Termination

Terminating a CRT and selling a CRT income interest are different options and should not be confused as being the same. The end result of a termination is just that: a terminated CRT. Selling only the income interest does not terminate the CRT; the income stream is simply redirected to a third-party buyer in exchange for cash. As such, the price a CRT beneficiary receives from a buyer on the secondary market is not limited to the Section 7520 value that the same beneficiary is limited to in a termination.* This is important, because the real-world value of a CRT income interest typically exceeds the Section 7520 value by a significant amount.

Too often, we get calls from clients who terminated their CRTs and are disappointed to learn they would have received more if they had sold their income interest to a third party (i.e., the client lost money because they were not made aware of the sale option).

** When terminating a CRT, the value of the income interest is determined using the discount rate in effect under IRC Section 7520 and the methodology under Treas. Reg. Section 1.664-4 for valuing interests in CRTs. If the income beneficiary receives more than this amount, they will have run afoul of self-dealing rules and be subject to penalties under IRC Section 4941(a)(1).*

“The bottom line is that in a significant percentage of cases, the real-world market value of an income stream is greater than the 7520 termination value.”

**“Alternatives to CRT Terminations”
Trusts & Estates**

CRT Rollover

The CRT rollover is a planning technique designed to meet the needs of clients who wish to change something about their CRT. Most are interested in finding ways their children or other family members can receive some or all of the remaining value from their CRT. Some are interested in deferring or forgoing unneeded income from the CRT to avoid the related tax. Others have a mix of these goals.

With a rollover, these clients create a new CRT—with terms in line with their current financial objectives and personal circumstances—and use their existing CRT income interest to fund/monetize the new CRT (the existing CRT income interest is contributed to the new CRT, which sells it to a third party in exchange for cash).

Below are several situations, based on actual cases, which illustrate some of the benefits of a CRT rollover.

Adding Children as Income Beneficiaries

Margaret and her late husband Steven established a 6% SCRUT over 20 years ago. While the trust served its purpose in the early years, it no longer aligned with Margaret's current financial and family priorities. Margaret had two objectives: (i) to remove the taxable income stream from her financial picture, and (ii) to shift the CRT's remaining financial benefit to her two daughters. By rolling her SCRUT income interest into a 6% NIMCRUT, Margaret was able to add her daughters as successor income beneficiaries and defer her own income distributions, allowing the trust assets to grow tax-free while she is the income beneficiary (augmenting future distributions to her daughters). The rollover not only ensured future income for her daughters after her passing but also provided Margaret with an immediate income tax deduction and removed a taxable income stream she didn't want or need.

Common Client Situation

While each situation is unique, when it comes to misalignments with older CRTs, one situation encapsulates more CRT beneficiaries than any other. The client:

1. No longer needs the income the CRT is forcing them to take and pay tax on; and
2. Would rather see their children or other family members benefit from the trust.

Clients in this situation frequently benefit from a CRT rollover, where the income interest from their existing CRT is redirected into a new CRT with different terms—typically naming their children or other family members as the new income beneficiaries.

Remarried Man Adds Younger Wife

Victor established an 8% SCRUT as part of a strategy to sell appreciated real estate. At the time, he was divorced and named himself as the sole income beneficiary. Ten years later, Victor remarried—a woman 18 years younger—and grew concerned that she would suffer a cut in living standards after his death, when the SCRUT income would end. To address this, Victor rolled his existing SCRUT interest into a new SCRUT and added his wife as a beneficiary. While his annual income decreased slightly, the payments will now continue for his wife's lifetime after his passing, ultimately resulting in significantly more income than he would have received under the original CRT.

Fixing an Underperforming NIMCRUT

The Baileys have a 6% NIMCRUT, but the trust's investments have rarely generated the full 6% in trust accounting income. Over the past decade, their actual annual payouts have averaged just 3% to 4%, well below their original expectations. While they considered selling their income interest, the potential tax consequences made them hesitant. Instead, they chose to roll their NIMCRUT income interest into a new 8% SCRUT. Now, they'll receive a consistent 8% payout each year, regardless of the trust's income.

Using a CRUT for Grandchildren's College Funding

Ron and Susan have five grandchildren, ranging in age from 2 to 10, and want to support their future college expenses. To do so, they rolled their 7% SCRUT income interest into a new Flip CRUT. The trust starts out as a NIMCRUT but will “flip” into a SCRUT when their eldest grandchild turns 18. At that point, income distributions will go to the grandchildren and be taxed at their generally lower rates. Until then, while the trust operates as a NIMCRUT, the assets can grow tax-deferred, maximizing potential value for future education funding.

“The CRT rollover is an ideal strategy for someone who wants to change something about their CRT. While the nature of a rollover can vary based on a client’s situation, the process and technique are always the same—a client uses his or her ownership interest in the current CRT to form a new CRT that is better aligned to the client’s situation.”

“New Opportunities for Old CRTs” Taxation of Exempts

Gift of CRT Income Interest

Clients who do not wish to receive any value for their income interest can gift it to the CRT's charitable beneficiary. This doesn't create any taxable income for the client, and in fact should create a charitable deduction for the value of the income interest donated. The result is termination of the CRT with all of the assets going to the charitable beneficiary, but court involvement is not typically required (as it is in a CRT termination in which the assets are divided actuarially between the income and charitable beneficiaries).

In order to claim the charitable deduction, the client will need to file a Form 8283 (for the non-cash contribution) and obtain an appraisal—even if the CRT owns only cash and marketable securities—from a qualified appraiser.

“The ability to offer options for more flexibility is always desired. With new options for CRTs, advisors have the ability to at least evaluate one more option for flexibility and responsiveness to changing situations.”

**“A New Look at an Old Planning Strategy”
CIBC Private Wealth Management**

Comparing the Objectives and Outcomes

Because each CRT secondary planning option creates a distinct outcome and addresses a different client objective, selecting the appropriate option is usually a straightforward process.

Sell Income Interest	CRT Rollover	Gift Income Interest
Maximum to <u>client</u>	Maximum to <u>heirs</u>	Maximum to <u>charity</u>
Cash to client at capital gains rate	Income stream for client's heirs	Tax deduction for client

Once the client is made aware of their options, a decision usually follows quickly and easily.

The key is making the client aware.

“All advisors ought to know that this potential for liquidity exists. It creates important flexibility for the client, which may have significant economic value. If you make a client aware and they don’t want to do anything, no one is out. But if you don’t tell them, and they might have benefited, they could be hurt and that could be an actionable omission. So it’s clearly a case where it makes sense to inform all clients who have CRTs that they may be able to benefit from a sale of their lead interest.”

**Alan P. Dye, Partner
Webster, Chamberlain & Bean, Washington, DC
Chairman, Washington Non-Profit Legal & Tax
Conference**

Sales of CRT Income Interests

For clients interested in getting the most financial value when exiting their CRTs, selling the income interest to a third party is usually the best option. In most cases, a CRT income interest is salable at the full value of keeping it and at a significant premium to what the income beneficiary would receive in a CRT termination.

Who Can Sell

We have found that most CRT income interests can, in theory, be sold. From the point of view of the seller, the most important items determining whether an interest can be sold are the health of the seller, the terms of the trust, and the identities of the people whose consent is needed.

In terms of health, the seller cannot be terminally ill. Other illness, if it affects life expectancy, may affect the value of their income interest, but not necessarily its salability.

Each trust is different, and in each case the terms of the trust must be reviewed, along with applicable state law. In our experience, there is no legal barrier to sale in the great majority of cases.

If an income beneficiary wishes to sell their interest, they will need the consent of the trustee(s). In addition, as a practical matter, it is usually necessary that if there are multiple income beneficiaries, all the income beneficiaries (e.g., both husband and wife) agree in their desire to sell their interests.

Age is an important factor in determining valuation, but not usually in determining salability. Most sellers are older, but that is because most people who have CRTs are older. There is no minimum or maximum age when it comes to selling a CRT income interest.

Why People Choose to Sell

The reasons people sell their CRT income interests far outnumber the reasons they initially set them up. Most CRT creations are driven, in one form or another, by tax considerations. Most sales of CRT income interests occur because something has changed since the CRT was created and the CRT isn't the perfect fit that it was when it was created.

Most often, this misalignment is simply the natural result of an unchangeable trust and the inevitable changes in the donor's life that occur over the long duration of the trust. In these instances, the CRT is typically viewed as having "run its course," with no explicit dissatisfaction regarding its creation or performance over the years.

In other cases, a specific cause for the misalignment can be pinpointed, which usually falls into one of two broad categories: personal reasons or financial/tax-related issues. Some common examples follow.

Personal Reasons

- Desire to simplify financial affairs
- Change in health status
- Desire to transfer more assets to family
- Divorce
- Death of a spouse
- Remarriage
- Growing family (e.g., birth of grandchild)

Financial/Tax-Related Issues

- Desire for liquidity
- Client does not need/want CRT income
- Underperforming NIMCRUT
- Mortality risk
- Rising interest rates
- Stock market volatility

See page 55 for insights from actual CRT income beneficiaries discussing their reasons for choosing to sell their income interests.

Who Can Buy

The buyer of an income interest essentially steps into the shoes of the seller with respect to the income stream. This means that the buyer must understand and be willing to accept an income stream of indeterminate duration (in the case of lifetime trusts), uncertain dollar amount (in the case of unitrusts), over which they have limited or no control, and which is illiquid.

It might be thought that a charity would be a natural buyer for an income interest. However, there are a number of issues that arise to the potential detriment of both the income interest holder and the charity which make it preferable to find a non-charitable buyer. We always seek a non-charitable buyer for these reasons.

The Process of Selling

Ever since the CRT was introduced to the Tax Code in 1969, most clients—and many advisors—have considered CRTs to be “buy-it-and-forget-it” vehicles. But now that there are alternatives, clients with CRTs should be made aware of them.

At *CRT Experts*, we have found that many advisors prefer to approach the issue through a formal review of the client's CRT. After a review, which we offer at no charge, the client gains a clear understanding of the flexibility available with their CRT and the context needed to assess whether selling their income interest makes sense for them. If the decision is made to move forward, our closing team handles all aspects of the process from start to finish, providing all necessary documentation.

Step 1—Initial Discussion

Often, advisors will know of client situations in which it makes sense to consider the possibility of selling the CRT income interest. In these cases, the advisor typically begins by having an initial conversation with *CRT Experts*. At this stage, there's no need to disclose the client's name or provide any documentation.

An easy way to start the process is to complete our Evaluation Request Form, which you can find on page 59.

Step 2—CRT Review

CRT Experts will review the trust and prepare a set of presentation materials for the advisor to share with their client. These materials typically include an analysis of the estimated value of retaining the CRT income interest, a projected net value from a potential sale, a side-by-side comparison of the two options, and other relevant considerations to support informed decision-making. See pages 22-29 for a detailed, real-world example of a CRT review completed by *CRT Experts*.

Step 3—Secure Buyer

If the client and advisor decide that a sale makes sense, *CRT Experts* will locate and engage a buyer at the pricing indicated in our review.

Step 4—Sale Contract

Once a buyer is secured, *CRT Experts* will arrange for the sale documentation to be drafted and provided to all parties for review and signature.

Step 5—Closing

Once the sale documentation is signed by all parties, the transaction proceeds to closing. All activity is conducted under the supervision of an escrow agent at Wells Fargo Bank to ensure a secure and transparent closing process. The closing process is as follows:

1. Buyer transfers the purchase price to escrow.
2. Escrow agent provides seller and CRT's trustee with confirmation of buyer's funded escrow account.
3. CRT's trustee transfers the trust assets to escrow.
4. Escrow agent performs the final purchase price calculation and arranges seller's payment (typically by wire) from buyer's escrow account.

A Simple & Turnkey Process

The closing team at *CRT Experts* has arranged the sale of thousands of CRT interests over the last two-plus decades. Over that time, we've developed a closing process that's simple, seamless and completely turnkey for sellers. We coordinate all activity from start to finish and provide all the necessary documentation.



“I recently worked with CRT Experts on a CRT I’ve had for many years. The trust was a good fit when I set it up and it worked well for a long time, but it was an unnecessary complexity in my life today. I’m trying to make things in my life simpler and exiting the CRT was a big step in doing that. Understanding how to exit a CRT seemed confusing on the surface, but CRT Experts took the time to educate me on how simple it actually is. Truly a wonderful experience. I would recommend them to anyone.”

Andy Gorogiani
Andrew G Gorogiani Charitable Trust
Fishers, IN

Case Study: John & Linda Reiss

Situation

- Clients' circumstances have changed since they established their CRT

Solution

- Sale of CRT income interest creates large lump sum of cash to redeploy per clients' current objectives

Results

- Made immediate gifts to children
- Opened college savings plans for grandchildren
- Balance of proceeds invested and will go to heirs following last of clients' deaths

John and Linda Reiss created a charitable remainder unitrust to defer the capital gains tax on the sale of highly appreciated stock. The trust paid the couple 7% of its assets each year. For many years, they were pleased with the income stream, which they used to support their active lifestyle.

Eventually, life slowed down for John and Linda. Their income needs decreased, and they didn't like how the CRT forced them to take and pay tax (at a high rate) on income they didn't need. They were also trying to simplify their financial affairs and wanted to get rid of the trust's administrative hassles.

John received a letter from *CRT Experts* and was intrigued. He liked the idea of having access to a large sum of cash to redeploy in light of their current planning goals. He also liked the idea of removing the CRT's taxable income stream from their financial picture. John contacted *CRT Experts* for a review, which you can find on pages 22-29.

CRT Experts provided a review of John and Linda's CRT income interest, which included an estimate of what a buyer would pay, benchmarks to assess the offer, and independent resources to confirm all the numbers. John was surprised at how simple everything was after reading the review. It all seemed too good to be true, though, and John consulted his attorney and his CPA to confirm that everything was legitimate. It all checked out, and John and Linda proceeded with the sale.

In John's words, "The sale option ticked all of our boxes. It converted our future CRT income into cash today that we can use as we please, and at a more favorable tax rate than we would have paid on the CRT income. It also removed the CRT's annual tax return from our list of responsibilities, and I no longer worry about Linda having to deal with the trust if I predecease her."

“I did all the necessary due diligence—checked CRT Experts’ references, checked with my accountant on taxation and fairness of the proposed purchase price, checked with my lawyer on the legality of the transaction and sale documentation, checked the Wells Fargo escrow agent, and spoke with prior sellers who’d used CRT Experts. It all checked out as legit and I proceeded with the closing. It went EXACTLY as the team at CRT Experts said it would. They are truly experts at what they do. Every person I dealt with was personable, answered all my questions (even after repeating several of them more than once), was patient with me, and always promptly answered my phone calls and emails. It’s an efficient, professional and responsive operation across the board. I highly recommend CRT Experts and would use them again if I had another CRT.”

**John Reiss
John & Linda Reiss Charitable Remainder Trust
Littleton, CO**

Review of the Reiss CRT Income Interest

The best way for any CRT income beneficiary to fully understand their options is to have *CRT Experts* review their CRT. Our review summarizes the relevant secondary planning options and provides details regarding valuation, tax considerations, how the process works, transaction costs and timelines, and other non-financial considerations. There is no need to identify the client or provide any documentation. To provide a review, we only need:

- Type of CRT (Standard CRUT, NIMCRUT or CRAT)
- Nearest age(s) of any income beneficiaries
- Payout rate
- Approximate trust value

Our Review Criteria

Every *CRT Experts*' review meets the following criteria.

An **accurate** calculation of the implications

- Present value calculations are confirmed using third-party software
- IRS calculations are performed with two different versions of software (Crescendo Interactive and EzCharitable)

Transparent insight into the review

- Software screenshots are provided to confirm all calculations
- Live spreadsheets are provided to confirm present value calculations

A **confidential** process for you and your client

- No identifying information or documentation is required

Unbiased and neutral advice for you and your client

- The options are presented objectively and without bias

John and Linda Reiss kindly agreed to share CRT Experts' review of their CRT income interest with other CRT beneficiaries and their professional advisors. On the following pages, you'll find our complete review and the supporting calculations.



4 Cornwall Street NE
Leesburg, VA 20176
TEL: 703.520.2275
FAX: 703.995.0850
www.crt-experts.com

Evan Unzelman
Chief Executive Officer

John Reiss
John & Linda Reiss Charitable Remainder Trust
[REDACTED]
Littleton, CO 80125

Dear John,

We appreciate the opportunity to review your CRT income interest for potential sale.

As you know, you own the right to the income stream generated by the trust (the CRT's "income interest") and receive the income as annual distributions. The trust assets belong to the CRT and will eventually go to charity. Our review confirms the financial merit of selling your income interest, but after reading through the review, you may also find that the sale is a better fit with your current situation for non-financial reasons.

Our Review

The sale option would monetize your projected CRT income stream by providing a lump sum payment equal to the present value of your anticipated future CRT distributions projected over your full life expectancy. In addition, the sale simplifies your financial affairs by relieving you of the CRT's administrative costs and hassles, which are assumed by the buyer.

Our review compares the values of your two options:

- 1) Waiting for income as annual distributions
- 2) Selling the income stream and receiving a lump sum of cash now

We have based our review on the following:

- The CRT is a Standard CRUT (no net income limitation)
- Its payout rate is 7%
- You and Linda are the joint lifetime income beneficiaries
- Your nearest ages are 78 and 73

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The CRT is tied to your joint lifetimes, so we used your joint life expectancy to estimate the duration of the income stream. We looked at three actuarial tables: the IRS 2010CM Mortality Table (used when valuing unitrust interests for tax deduction purposes), the IRS Uniform Lifetime Table (used when calculating required minimum distributions (RMDs) from retirement accounts) and the 2012 IAR Table (a table derived from more recent data and which incorporates projected mortality improvements).

Your joint life expectancy per those three tables:

- 2010CM Table: 16 years
- RMD Table: 19 years
- 2012 IAR Table: 21 years

Accordingly, we used an expected duration of 16-21 years for the income stream in our analysis.

We assumed the trust consistently earns 7% (net of any fees) and keeps up with its 7% payout rate over the entire remaining duration.

The assumptions above enabled us to estimate how much the trust will distribute each year over the expected duration. Our final step was to determine the present value of each of those future distributions and add them up to arrive at the current value of the future income stream (i.e., how much the income stream is worth in today's dollars given our 7% rate of return assumption).

I've enclosed a copy of our calculation (Exhibit 1). As you'll see, the value of your income interest ranges from \$794,000 to \$910,000 depending on which life expectancy table is used to estimate the income stream's duration.

- 2010CM Table (16 years): \$794,000
- RMD Table (19 years): \$868,000
- 2012 IAR Table (21 years): \$910,000

IRS Valuation of Your Income Interest

Another benchmark is the value that the IRS places on your income interest. We obtain this value by running the same calculation we would use to determine the charitable deduction for a new CRT with the same terms as yours currently (ages, trust value, payout rate). According to both versions of our software (Crescendo Interactive and EzCharitable), that value is about \$768,000. I've enclosed the Crescendo Interactive output (Exhibit 2) for your reference and confirmation.

Private & Confidential

Sale Value of Your Income Interest

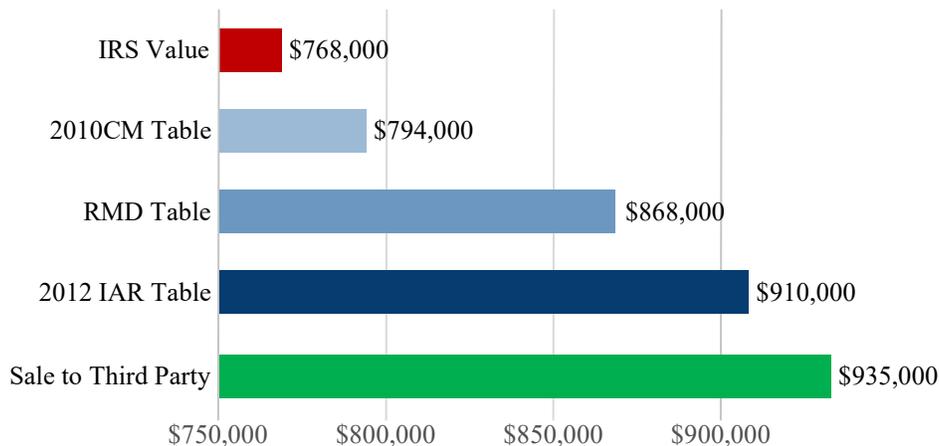
I think we can sell your income interest comfortably above the top end of the valuation range established above and significantly above the IRS-assigned value.

Please use a \$935,000 figure in your assessment of the sale option.

This is a firm offer for your CRT income interest and is good for 30 days. The sale proceeds would be cash, delivered in full at closing.

Financial Summary

Here are the values we established for your income interest in our review:



Tax Considerations

Your CRT income interest is considered a capital asset (Rev. Rul. 72-243, 1972-1 C.B. 233), so the proceeds from selling it are taxed as capital gain income. Distributions from your CRT, on the other hand, are subject to “worst in, first out” four-tier accounting rules (any ordinary income the trust earns must be distributed before other types of income) that force you to pay the maximum possible tax rate on your CRT income—usually a combination of ordinary income and capital gain income. So, while the sale option is already above the top end of the established valuation range for keeping the income interest on a *pre-tax* basis, it would probably leave you even better off on an *after-tax* basis because of the superior tax treatment.

Taxes are not deducted at closing. You would receive a 1099-B early next year in the amount of the proceeds you receive at closing to report the capital gain on your personal tax return.

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Other Considerations

CRT beneficiaries also choose to sell their income interest for other, non-financial reasons. Below are some of the most common we hear from sellers.

Flexibility: The sale gives you cash which you can use however you choose. You are no longer bound by the payout restrictions of the CRT.

Simplicity: All responsibilities for the CRT are assumed by the buyer. You no longer have to handle the costs or management of the CRT.

Children: If you do nothing, everything goes to charity upon the last of your deaths. Your children receive no direct benefit from the trust. If you sell, you can leave any portion of the sale proceeds to heirs.

Removal of investment risk: If the CRT does not consistently return 7%, your distributions will be lower than the scenario you are locking in by selling your interest. If you sell, you shift that investment risk to the buyer.

Removal of mortality risk: If you sell, you receive the same amount of value now that you would receive in the future at your full joint life expectancy. The sale removes the financial risk that you pass before your life expectancy and receive less income than anticipated.

Final Items to Note

- The sale process—from your green light to a completed transaction—usually takes 2-4 weeks.
- The sale is concluded at Wells Fargo Bank under the supervision of an escrow agent.
- The sale proceeds are subject to our 3% transaction fee and a fixed escrow fee of \$1,250. These are the only fees charged and are paid only upon completion of the transaction. Our transaction fee is based on the sale price (not the trust value).
- The sale price is directly tied to the trust value on which it was quoted. At closing, the price for your income interest would adjust up or down by the same percentage that the trust value differs from \$1,200,000. For example, if the final trust value at closing was \$1,205,341, the purchase price would adjust to $(1,205,341 / 1,200,000) \times 935,000 = \$939,162$.

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Our closing team has successfully arranged the sale of thousands of CRT interests over the last two-plus decades. Over that time, we've developed a closing process that's simple, seamless and completely turnkey for sellers. We coordinate all activity from start to finish and provide all the necessary documentation.

Please let me know if you have any questions or wish to discuss next steps. You can reach me anytime at 703-520-2275 or evan@crt-experts.com.

Sincerely,



Evan Unzelman

Enclosures:

Present Value Calculation (CRT Experts)

IRS Value of Income Interest (Crescendo Interactive)

CRT Experts, LLC does not provide tax, legal or investment advice and nothing in this review, including any enclosures, should be construed as such. Any information or analysis provided is believed to be accurate but is not guaranteed or warranted. This review, including any enclosures, is private, confidential and solely for the use of the intended recipient and recipient's professional advisors. Dissemination in any form is expressly prohibited without prior written permission of CRT Experts, LLC.

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Exhibit 1: Value of CRT Income Interest

Assumptions

Expected Duration	16-21 Years
Beginning CRT Value	1,200,000
Investment Return	7%
Distribution Rate	7%

Results

Value of Income Interest ^{1,2}	\$794,000 - \$910,000
---	------------------------------

¹ Discount rate equal to investment return

² Assumes income beneficiary(ies) live(s) to life expectancy

Charitable Remainder Trust

Income Stream

Year	<i>Beginning CRT Value</i>	<i>Investment Return</i>	<i>Distribution</i>	<i>Ending CRT Value</i>	<i>Present Value of Distribution</i>	<i>Cumulative Present Value</i>	
1	1,200,000	84,000	84,000	1,200,000	78,505	78,505	
2	1,200,000	84,000	84,000	1,200,000	73,369	151,874	
3	1,200,000	84,000	84,000	1,200,000	68,569	220,443	
4	1,200,000	84,000	84,000	1,200,000	64,083	284,526	
5	1,200,000	84,000	84,000	1,200,000	59,891	344,417	
6	1,200,000	84,000	84,000	1,200,000	55,973	400,389	
7	1,200,000	84,000	84,000	1,200,000	52,311	452,700	
8	1,200,000	84,000	84,000	1,200,000	48,889	501,589	
9	1,200,000	84,000	84,000	1,200,000	45,690	547,280	
10	1,200,000	84,000	84,000	1,200,000	42,701	589,981	
11	1,200,000	84,000	84,000	1,200,000	39,908	629,889	
12	1,200,000	84,000	84,000	1,200,000	37,297	667,186	
13	1,200,000	84,000	84,000	1,200,000	34,857	702,043	
14	1,200,000	84,000	84,000	1,200,000	32,577	734,619	
15	1,200,000	84,000	84,000	1,200,000	30,445	765,065	
16	1,200,000	84,000	84,000	1,200,000	28,454	793,518	2010CM Table
17	1,200,000	84,000	84,000	1,200,000	26,592	820,111	
18	1,200,000	84,000	84,000	1,200,000	24,853	844,963	
19	1,200,000	84,000	84,000	1,200,000	23,227	868,190	RMD Table
20	1,200,000	84,000	84,000	1,200,000	21,707	889,897	
21	1,200,000	84,000	84,000	1,200,000	20,287	910,184	IAR Table

Calculation by CRT Experts, LLC. Live spreadsheet available for download [here](#).

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Exhibit 2: IRS Value of CRT Income Interest

CHARITABLE REMAINDER UNITRUST

Two Lives

IRS Form 709 Gift Value of \$768,408.00

Donor:	Gift Amount:	
Reiss	\$1,200,000.00	
Beneficiary(ies)		
Person:	Date of Birth:	Age*
1st: John	03/21/1947	78
2nd: Linda	09/20/1952	73
Cost Basis:	Payment Frequency:	
\$0.00	Quarterly	

Age* - Year changes at six months from birth date.

Calculation		
(A) Unitrust Percentage	7.00%	(A)
(B) Factor for Adjusted Payout Rate <small>IRS Pub 1458, Table F AFR of the Month: <u>5.0%</u></small>	0.970057	(B)
(C) Adjusted Payout Rate (A x B)	6.79040%	(C)
(D) Nearest table rate below (C)	6.60%	(D)
(E) Factor at Line (D) rate <small>(IRS Pub. 1458, Table U(2))</small>	0.36960	(E)
(F) Nearest table rate above (C)	6.80%	(F)
(G) Factor at Line (F) rate <small>(IRS Pub. 1458, Table U(2))</small>	0.35916	(G)
(H) Line (E) Minus Line (G)	0.01044	(H)
(I) Line (C) Minus Line (D)	0.19040%	(I)
(J) Line (I) Divided by 0.2%	0.95200	(J)
(K) Line (H) Times Line (J)	0.00994	(K)
(L) Line (E) Minus Line (K)	0.35966	(L)
(M) Line (L) Times Gift Amount <small>PRESENT VALUE OF REMAINDER INTEREST</small>	\$431,592.00	(M)
(N) TAX BRACKET AND SAVINGS	\$0.00	(N)

Calculated via CresPRO by Crescendo Interactive and confirmed by EzCharitable.

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Frequently Asked Questions

What is the authority for the tax treatment?

Rev. Rul. 72-243, 1972-1 C.B. 233 provides that the sale of an income interest in a trust is a sale of a capital asset within the meaning of Sections 1221 and 1222 of the Internal Revenue Code.

What are the legal issues of selling a CRT income interest?

Each trust is analyzed in accordance with its terms and the applicable state law, but no unusual legal issues arise in connection with the sale. The documentation follows that of a standard purchase and sale agreement and the closing is supervised by an escrow agent.

What are the seller's responsibilities after the sale?

None. The buyer of the income interest assumes responsibility for all the CRT's administration and compliance activities, and the related costs.

Is there recapture of the initial tax deduction taken by the donor?

The sale of an income interest does not affect the deduction taken for the remainder interest at the trust's inception, because the income interest represents that portion of the trust value not given to charity. The seller of an income interest sells

exactly that: the income interest. A qualified charity remains as the remainder beneficiary.

Can the buyer change the charity in the future?

No. Only the CRT's donor, if given the power in the trust agreement, can change the charitable remainder beneficiary.

Does the existence of a spendthrift clause preclude a sale?

In the case of a self-settled trust (i.e., the income beneficiary is the trust's donor), no. If the trust is not self-settled, the salability of the income interest will depend on the specific language of the spendthrift clause, the identity of the parties affected, and state law. Because most CRTs are self-settled, the existence of a spendthrift clause is rarely an issue.

Does the sale of the income interest change any of the CRT's terms?

No. A CRT income interest is a capital asset and salable, but the CRT itself is irrevocable. Its terms (measuring lives, payout rate, etc.) are unaffected by the sale transaction.

What is the ideal size for a trust?

There is no fixed minimum or maximum trust size for an interest to be salable.

Does it matter how the trust assets are invested?

Not usually. If the trust assets are invested in marketable securities such as stocks, bonds, mutual funds, ETFs, money market instruments and the like, there is generally no issue.

What if the trust owns illiquid assets?

Illiquid assets need to be looked at on an individual basis. They are not necessarily a barrier to a sale. We have arranged many transactions in which illiquid assets were among the assets of the CRT.

What is the typical age of people who sell their income interests?

A person of any age can sell their interest. *CRT Experts* has completed transactions for people in their thirties all the way up to people well into their nineties.

How does age impact pricing?

In our experience, the financial benefit of selling tends to improve with age. For a couple in their 50s, for example, the sale price is typically very close to the present value of keeping the income interest. But for a couple in their 80s with the same trust (identical value and payout rate), the sale price is usually at a premium to the present value of keeping the income interest.

How do you calculate life expectancy?

Life expectancy is determined using three actuarial tables: the IRS 2010CM Mortality Table (used for valuing unitrust interests for tax

deduction purposes), the IRS Uniform Lifetime Table (used for calculating required minimum distributions (RMDs) from retirement accounts), and the 2012 IAR Table (which is based on more recent data and incorporates projected mortality improvements). As is standard practice, we rely on software from third-party vendors to obtain life expectancies

What role does health play?

A health exam is not required, but each seller represents in the sale agreement that they do not have an incurable illness or deteriorating physical condition such that there is a 50% or greater probability that they will die within one year.

Can a person sell an interest even if they are not insurable?

Yes, provided that they are not too seriously ill. In general, as people get quite old, insurability becomes more difficult. Sometimes a person's lack of insurability is even a reason for them to consider selling their income interest, because they are uncomfortable bearing the financial risk that they might not receive all the expected payments. *CRT Experts* has successfully completed a number of transactions in which the seller was not insurable.

Can an interest in a term CRT be sold?

Yes. In the case of a term CRT, which terminates at the end of a stated period of years, the income interest will be valued on the basis of the

known number of years remaining on the term.

Who are the buyers?

Buyers include individuals, families or groups, and taxable entities.

Who is an ideal buyer?

The ideal buyer of a CRT income stream has several characteristics. They have substantial net worth with strong liquidity, and the ability to commit a significant sum for a potentially long period in an illiquid asset. In addition, they often have various tax attributes, such as net operating losses (NOLs), capital loss carryforwards, and unused charitable deductions.

Has a charity ever been a buyer?

No.

Has CRT Experts ever been a buyer?

No.

Is legal counsel required?

Yes. In the purchase and sale agreement, all parties represent and warrant to have had the opportunity to obtain tax, legal, and other counsel with respect to the transaction.

How and when is CRT Experts paid?

CRT Experts is paid by the seller at closing. Our fee is generally 3% of the final purchase price paid for the income interest. For very large (over \$10,000,000) or very small (under \$100,000) transactions, our fee is a fixed dollar amount rather than a percentage.

How and where does closing occur?

Closing takes place at Wells Fargo Bank under the supervision of an escrow agent. Neither buyer nor seller needs to be physically present at closing.

What is the closing process?

1. The buyer transfers the purchase price to escrow.
2. The escrow agent provides the seller and the CRT's trustee with confirmation of the buyer's fully funded escrow account.
3. The CRT's trustee transfers the trust assets to escrow.
4. Escrow agent performs the final purchase price calculation based on the value of the CRT assets in escrow and arranges payment to the seller (typically by wire transfer) from the buyer's escrow account.

How long does the sale process take?

The overall timing of the process depends largely on how quickly the seller reviews and executes the sale documentation. In most cases, the sale is completed within two to four weeks of the seller's decision to proceed.

Are references available?

Yes. References from other sellers and their advisors are available upon request. We have included written comments from past sellers in this Advisor's Guide (see page 55), and many more can be found on our website at www.crt-experts.com/testimonials.

“CRT Experts did an excellent job of guiding me through the process of selling our CRT income interest. Despite my early misgivings about entering into unknown territory involving a substantial financial transaction with a distant third party, in the end, all of my concerns were addressed and everything proceeded in a timely manner, exactly as CRT Experts had described from the beginning. It was a pleasure working with them.”

Todd McKinney
McKinney Family Charitable Remainder Trust
San Diego, CA / Conway, MI

About CRT Experts, LLC

With more than two decades of experience at the forefront of CRT planning, the team at *CRT Experts* brings unmatched expertise to CRT beneficiaries, their families, and their tax, legal and financial advisors.

Comprehensive CRT Services

CRT Experts is a one-stop resource for carefully crafted solutions and unmatched expertise at every stage of the CRT lifecycle.

CRT Design

Our CRTs are custom-built based on each donor's situation and designed to maximize donor flexibility. Extended trust duration and the ability to regulate cash flow are key areas of focus when designing for maximum donor benefit.

CRT Administration

We provide cost-effective CRT administration with a proven track record of high-touch customer service and support. Our services include compliance guidance, four-tier accounting, tax return preparation, and annual reporting.

CRT Exits

Our free, comprehensive CRT review services provide a clear picture of options available to your clients. If a client wishes to move forward, we offer start-to-finish sales and rollovers of CRT income interests.

What Sets us Apart

Unmatched CRT Experience: We have reviewed nearly 10,000 CRTs and worked with tens of thousands of CRT beneficiaries. This experience gives us unequalled insight into all facets of CRT planning.

Proven Track Record: We have over twenty years of CRT planning experience.

Fees: Our fees are reasonable, transparent, and paid only upon satisfactory completion of the engagement or transaction.

Non-Competitive: Our services are complementary to those of most tax, legal and financial advisors.



Evan Unzelman
Founder & CEO

With more than two decades of specialized experience working with charitable remainder trusts, Evan Unzelman is largely regarded as one of the nation's foremost experts on all phases of CRT planning. From up-front CRT design to complex CRT administration to sales and rollovers of CRT income interests, Evan and his team provide unmatched know-how at every stage of the CRT lifecycle.

Evan's experience with CRT secondary planning—sales, gifts, and rollovers of CRT income interests—is particularly deep. Prior to forming *CRT Experts*, he was president of a national charitable planning firm where he helped develop the secondary market for CRT income interests and personally oversaw the successful completion of sale transactions for thousands of CRT beneficiaries across the U.S.

Evan is a sought-after speaker and writes frequently on CRTs for a variety of audiences. His articles have appeared in publications such as *Estate Planning*, the *Journal of Estate & Tax Planning* (National Association of Estate Planners & Councils), *Taxation of Exempts*, *The Mortmain* (Atlanta Bar Association), the *Wealth Strategies Journal*, and *Trusted Advisor* (CIBC Private Wealth).

Born and raised in the Pacific Northwest, Evan graduated from Pacific Lutheran University (summa cum laude) in Tacoma, WA, where he earned degrees in Finance and Economics.



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Additional Resources

Page 37: “Maturing CRT Market Fuels Demand for Income Interest Sales”

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Page 41: “Exit Strategies for Charitable Remainder Trusts”

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Page 43: “Essential Planning Options for Older CRTs”

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Page 53: CRT Transaction Related Authorities

Page 55: Written Comments from Sellers

Page 59: Evaluation Request Form

“Things could not have gone smoother. From my first contact until completion, there were no surprises. Initially, I was not familiar with the process of selling a CRT interest and quite honestly did not know that it was possible. We were pleasantly surprised at the sale value, and so was our financial advisor. CRT Experts handled the entire event in a very professional manner. Feel free to use my contact information as you choose.”

**Ronald Bump
Ronald & Sharon Bump Charitable Trust
Minneapolis, MN**



The Mortmain

Official Publication of the Atlanta Bar Association Estate Planning & Probate Section

Maturing CRT Market Fuels Demand for Income Interest Sales

Over the last twenty years, the team at CRT Experts has reviewed nearly 10,000 charitable remainder trusts (CRTs) and arranged the sale of thousands of CRT interests. In recent years, we've noted a growing number of sellers who reference simplifying their financial affairs as they grow older as a key reason for selling their income interest.¹ This observation, coupled with recently released data from the IRS showing the age of CRTs in existence today, leads us to a clear conclusion: most outstanding CRTs are at the point in their lifecycles when selling the income interest is most likely to be applicable, and at very least the income beneficiary should be made aware of the sale option.

Background

At its inception, a CRT is usually a perfect fit for a client's situation. It's just the right kind of CRT (Standard CRUT, NIMCRUT, Flip CRUT or CRAT), the right payout rate, the right beneficiaries, etc. But a CRT is an irrevocable trust—its terms cannot be changed—and usually spans decades of a client's life. Over time, this combination—an inflexible trust on the one hand and a client's changing

life on the other—can lead to a misalignment between the client's situation today and the CRT they created many years ago.

A client's income interest in a CRT is a capital asset that can be bought or sold—just like other capital assets (e.g., stocks, bonds, real estate).² Since the early-2000s, a thriving private market has existed for such transactions. The list of reasons that clients sell their CRT income interests is much longer than the list of reasons they set them up in the first place. Most CRT creations are driven, in one form or another, by tax considerations. Most sales of trust income interests occur because something has changed since the CRT was created. For example, clients sell their income interests if they are:

- Trying to simplify their financial affairs
- Seeking liquidity
- Going through a major life event, such as divorce or the death of a spouse
- Interested in leaving more money to heirs
- Concerned about tax/economic uncertainty

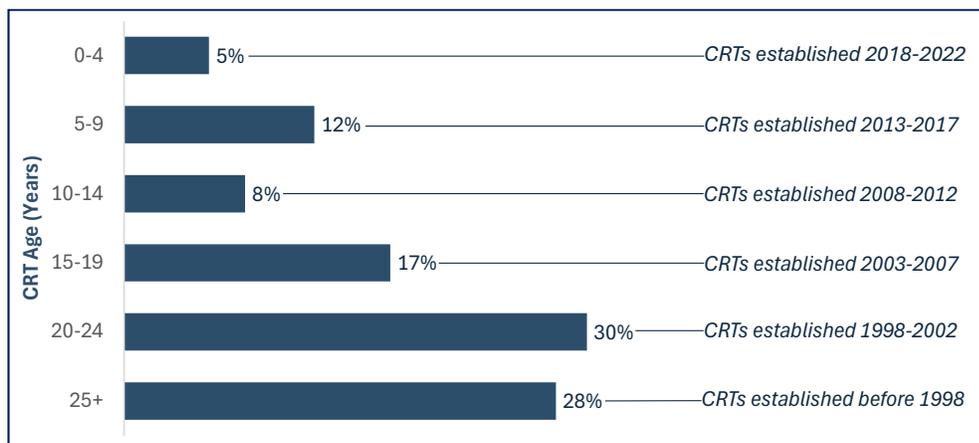
¹ The sale shifts all current- and future-year administrative responsibilities for the CRT to the third-party buyer.

² See *McCallister v. Comm'r*, 157 F.2d 235 (2d Cir. 1946), cert. denied, 330 U.S. 826 (1947) and Rev. Rul. 72-243, 1972-1 C.B. 233.

While clients have been selling their income interests for decades, a disproportionate percentage of older CRTs in existence today makes the current environment ripe for the sale transaction. That's why more and more advisors are looking at their clients' CRTs and questioning whether they remain the best fit for each client's situation.

The CRT Market is Aging

The CRT market is aging, fueling increased demand for CRT secondary planning, and the sale of CRT income interests in particular.



Two factors are at play:

1. Most CRTs in existence today were established decades ago. While they were good fits when established, many of these older CRTs have outlived their useful lifecycles.
2. The clients who established them are older and in different situations than when they established their CRTs. Their planning goals have often changed, and many are trying to simplify their financial affairs.

Old and Cold CRTs

According to the most recent IRS data, most CRTs

in existence today (58%) are more than twenty years old.³

On the surface, this might seem counterintuitive. We would expect the percentage of outstanding CRTs to decrease with CRT age—the older the CRT, the greater the probability that the income beneficiaries have died or the trust term has expired. In fact, the opposite is true. The main reason: fluctuations in the appeal of CRTs, and in turn, the number of CRTs created over time.

Several factors lead to more CRTs being created in some environments than others, but chief among those are tax rates, and the capital gains rate in particular. IRS data shows that many more CRTs were created before 2003 (twenty years or more before the tax year from which the IRS data was

sourced) than 2003 or later. So many more that the difference in the number of CRTs created more than offsets the fact that many of the pre-2003 CRTs no longer exist due to income beneficiaries dying and terms expiring. Given that the capital gains rate decreased to 15% in mid-2003 (it was 28% from 1993 to mid-1997 and 20% from mid-1997 to mid-2003), this isn't surprising.

Client Situations Have Changed

In most cases, clients who established these “old and cold” CRTs are in a different situation today than when they created the trusts. This makes sense when considering the timespan. We saw above that

³ According to data released by the IRS in 2024 and sourced from Split-Interest Trust Information Returns filed in 2022.

most outstanding CRTs are over twenty years old. Over twenty or more years, it's likely that a client's circumstances will change. But, since the terms of a CRT are irrevocable, the trust can't adjust to the client's changing circumstances. Additionally, changes in the tax and economic environments, which are inevitable over such a timespan, can lead to misalignments even if the client's situation has not changed.

Over the last two decades, we've reviewed thousands of CRTs and spoken with tens of thousands of CRT income beneficiaries and their legal, tax, and financial advisors.

- Our experience and data confirm that misalignments typically begin occurring ten years after the CRT's creation and subsequently occur at an increasing rate.
- IRS data confirms that 83% of CRTs are more than ten years old.

The result: most outstanding CRTs are at the point in their lifecycles when the trust should be reviewed and there is the highest likelihood that a misalignment exists. The majority of CRTs are no longer the best fit for the client.

Clients Trying to Simplify Their Lives

Whether it's tracking down and forwarding statements and tax forms, answering questions about prior year transactions, or waiting for the CRT's tax return to be completed so the income beneficiary can complete their own tax return, maintaining a CRT can be a time-consuming and often expensive hassle. We routinely work with CRT beneficiaries who want to get rid of that complexity and expense. Some wish to remove complications for themselves. Others want to remove complications for a spouse or child who may end up dealing with the CRT in the future. For clients with CRTs, sell-

ing the income interest is a way to remove the administrative costs and hassles associated with the trust.

Most CRTs are "self-trusted," meaning the income beneficiary is also the trustee and thus responsible for the CRT's administration (namely, its annual tax return—IRS Form 5227). In connection with the sale of a CRT income interest, the current trustee resigns and appoints the buyer as successor trustee. This shifts all future responsibilities for the trust to the buyer and simplifies the seller's financial affairs.

Informing Clients

In many ways, a client's CRT planning is no different from their investment, estate, or tax planning. As the client ages, the planning should be reviewed and adjusted so it is reflective of the client's current situation and goals.

For example:

- Financial advisors adjust their clients' investment portfolios as they approach and enter retirement.
- Trust and estate attorneys update their clients' estate plans when children and grandchildren are born.
- CPAs help clients make good tax moves when tax rates are expected to rise or fall.

Does any of this mean the previous planning wasn't a good fit when it was implemented? Of course not. The advisor is simply adjusting the client's planning so it is the best fit with their current situation.

In this way, CRTs are no different. Evaluating the continuing usefulness of a client's CRT should be a routine part of any regular financial or trust and estate review. But when it comes to client awareness,

CRTs are different. Most clients with CRTs—we estimate between 50% and 75%—are unaware of the options/flexibility they have.

The irrevocable nature of the trust often leads to the perception that the trust is a “lifetime lockup,” and because CRTs are uncommon, there is not the general awareness that exists with more common types of planning. Clients know they can sell their house when they wish to downsize, adjust their investment portfolios as they approach and enter retirement, and update their estate plans when grandchildren arrive. But most are unaware of the flexibility they have concerning their CRTs.

Reviewing a CRT

Only by thoroughly reviewing your client’s situation and their CRT can you determine what changes, if any, are appropriate. The following provides a step-by-step guide to help you plan and execute a thorough CRT review.

1. **Determine the Value to the Client of the Income Interest.** To value a CRT income stream, first estimate how long the income stream will last. In most cases, this will be the client’s life expectancy, since most CRTs are tied to people’s lifetimes. Next, use the current trust value, the trust’s payout rate, and a reasonable expected rate of return to estimate how much the trust will distribute each year over the client’s life expectancy. The final step is to determine the present value of each of those future distributions and add them up to arrive at the current value of the future income stream (i.e., how much the income stream is worth in today’s dollars).
2. **Obtain an Estimate for the Sale Value of the Income Interest.** Each case is different and must be looked at individually, but in our experience, a CRT income interest can typically be

sold at the full value of keeping it.

3. **Review the Reasons for Creating the CRT.** Revisit your client’s reasons for creating the CRT in the first place. Most clients set up a CRT to: (i) diversify an appreciated asset, while deferring taxes on the sale; (ii) generate a stream of income with pre-tax dollars; (iii) obtain an income tax deduction; and (iv) support charity.
4. **Assess the Current Situation.** Your client had specific reasons for creating the CRT. Now, reconsider those goals afresh, given the client’s current situation (family, financial, tax).
5. **Client Decision.** After going through the steps above, your client will understand the flexibility they have with their CRT and have the context necessary to determine whether selling their income interest makes sense for them from both a financial and non-financial standpoint.

Conclusion

For trust and estate attorneys, CPAs, and financial advisors alike, evaluating the continuing usefulness of a client’s CRT should be a routine part of any regular financial or trust and estate review. Given the age of most outstanding CRTs, and the age of the clients who created them, this has never been truer than it is today.

About the Author

Evan Unzelman is CEO of CRT Experts, LLC (www.crt-experts.com) in Leesburg, VA. With over two decades of specialized experience in all aspects of CRT planning, he is largely regarded as one of the nation’s foremost experts on CRTs. He can be reached at 703-520-2275 or evan@crt-experts.com.

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Exit Strategies for Charitable Remainder Trusts

CRTs offer tax and income-planning flexibility as life changes over the years.

by: **Jeffrey M. Verdon, Esq.** - July 1, 2020

In 1995, Bill and Sandy met with me to discuss what to do with a real estate investment that had appreciated significantly. The investment represented a meaningful portion of their net worth, and they felt the time was right to sell. However, they didn't necessarily need a large infusion of cash and they didn't want to pay the tax (in 1995, the capital gain rate was 29%).

What Bill and Sandy really needed at that time was income. They had two active teenagers and were paying for private school, travel soccer, spring break trips, and summer excursions abroad. They also had a large home to keep up with and needed to keep everyone entertained.

A CRT Was a Good Choice at the Time

It seemed that at this time a charitable remainder trust (CRT) would be their best option. While there are many versions of the CRT, simply stated, the taxpayer establishes a trust in which the taxpayer is the income beneficiary and at death, the remainder of the assets in the trust pass to one or more named charities. The CRT is established before the asset is sold, the asset is contributed to the trust, and on sale, no federal or state tax is due on the gain. They receive an immediate charitable income tax deduction for the present value of the trust assets that will be distributed to charity upon their deaths, which can be used to offset some or all of the income tax liability. Thus, the CRT would enable Bill and Sandy to put their real estate in the CRT, then sell it, and defer the related capital gain, garner an immediate charitable deduction, and collect income from the trust moving forward.

The CRT worked masterfully for years. They enjoyed the income stream while their children were still in the house and active. Afterward, they used it to help pay college tuition and were able to continue to use it during a period of world travel during early retirement.

Then Things Changed

But then Bill and Sandy decided to slow down a bit. They sold their house and moved into a condo near their golf and tennis club.

Today, they continue to enjoy their condo and frequently visit their children and grandchildren for months at a time. Their income need is minimal, and Bill recently had their CPA go on a "quest," as Bill likes to say, to reduce their taxable income. "We have more than we need. At this point, it's all about the kids and grandkids," noted Bill.

The CPA, working with Bill and Sandy's investment advisers, was able to largely eliminate all of their taxable income streams, except one: their CRT.

"That CRT worked so well for so many years," said Bill. "But as I look at it now, it's unlike everything else we owned. Our house worked great, but when the kids moved out, we sold it. Our investment advisers have retooled our portfolio as we've gotten older and we updated our trust and estate planning as the grandkids were born. We even traded in the Suburban for a sedan. But this CRT, which was such a great fit for so many years, can't change like those other things."

Options to Consider

At a recent meeting, I explained to them that even that CRT can be dealt with.

What Bill and Sandy didn't know is that their CRT income interest was a capital asset. And just like the stocks, bonds and real estate they retooled over time, we were able to explore options for this capital asset as well.

The options include:

- Sell it for cash
- Roll it into a new CRT for their children and/or grandchildren
- Give it to charity

For Bill and Sandy, the choice was easy. They sold their income interest and decided to use the proceeds. They invested in one of their children's growing businesses, another chunk went into 529 college savings plans for their grandchildren's education, and the rest they gave to their investment advisers to manage and eventually pass to their children after the last of their deaths.

How About Rolling It Over Instead?

But Bill and Sandy also had another option, which many clients are choosing. They could have rolled their income interest into a new CRT for the benefit of their children and/or grandchildren. While this didn't make sense for Bill and Sandy, who had immediate ways to deploy the sale proceeds, for those who simply wish to convert their future CRT income into income for their loved ones, this idea of creating a new CRT could be a great option.

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ESSENTIAL PLANNING OPTIONS FOR OLDER CRTs

Over the last two decades, the team at CRT Experts has reviewed nearly 10,000 charitable remainder trusts (CRTs), and where misalignments were found, helped advisors implement planning to resolve them. In our experience—and as intuition would suggest—misalignments are most commonly found in older trusts, those created 10 to 15 years ago or earlier. This observation, coupled with recently released data from the IRS showing the age distribution of CRTs in existence today, leads to a clear conclusion: the majority of outstanding CRTs have reached a critical juncture in their lifecycle, where proactive secondary planning is not just appropriate but often essential. For advisors, this represents both a timely opportunity and a professional imperative: revisit existing CRTs and ensure clients—especially those with older trusts—understand the flexible, often overlooked options available to them today.

In this report, you'll find:

- Background on the aging CRT marketplace
- Why secondary planning is more relevant now than ever
- Solutions for addressing CRT-client misalignments

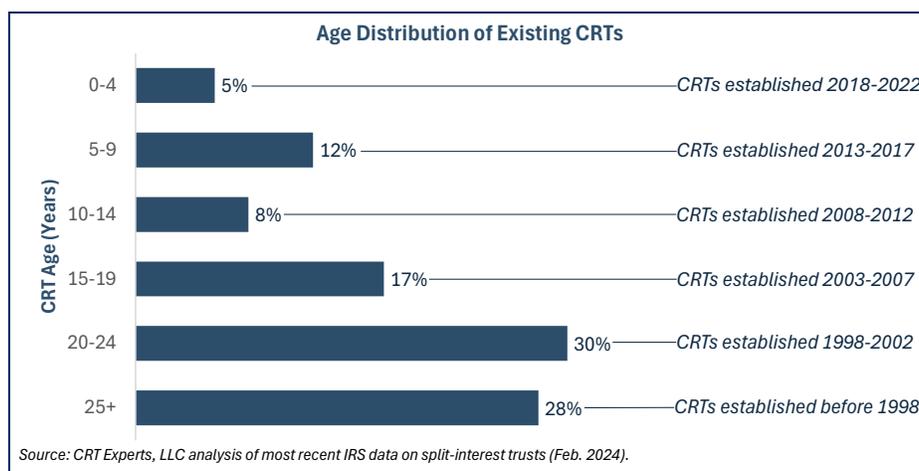


Background on the Aging CRT Marketplace

According to the latest IRS data, most CRTs in existence today are more than 20 years old. On the surface, this may seem counterintuitive. We would expect the percentage of outstanding CRTs to decline as trust age increases—the older the CRT, the more likely it is that the income beneficiaries have passed and the CRT no longer exists. But the opposite is true. The reason: fluctuations over time in the appeal of CRTs, and in turn, the number of CRTs created.

Several factors influence the creation of CRTs across different environments, but the most significant is an elevated capital gains tax rate. IRS data reveals that far more CRTs were established prior to 2003 than in the years since. The difference is so substantial that it outweighs the attrition of many pre-2003 CRTs that no longer exist. This trend aligns with the timing of the 2003 capital gains tax rate reduction, when the rate dropped to 15%, making the earlier spike in CRT formations unsurprising.

There are roughly 90,000 split-interest trusts—either charitable remainder trusts or charitable lead trusts—in the United States. The vast majority, approximately 93%, are CRTs. Of these CRTs, about 58% were established before 2003. Expanding the window to include those created from 2003 to 2007, and therefore at least 15 years old, raises the total to 75% of all active CRTs.



Essential Planning Options for Older CRTs

**75% of outstanding CRTs are more than 15 years old.
83% are more than 10 years old.**

What's significant about this fact from an advisor's perspective is that these older CRTs fall squarely within the timeframe when misalignments between the trust and the client's current circumstances are most likely to arise—making this the period when CRT secondary planning is not only most relevant, but often most necessary.

Why Secondary Planning Is More Relevant Now Than Ever

At CRT Experts, we've looked at nearly 10,000 CRTs over the last 23 years. Our data indicates that, generally, misalignments start to occur 10-15 years from trust inception. This is when we recommend advisors start sitting down with clients to see if their CRT is still working as intended.

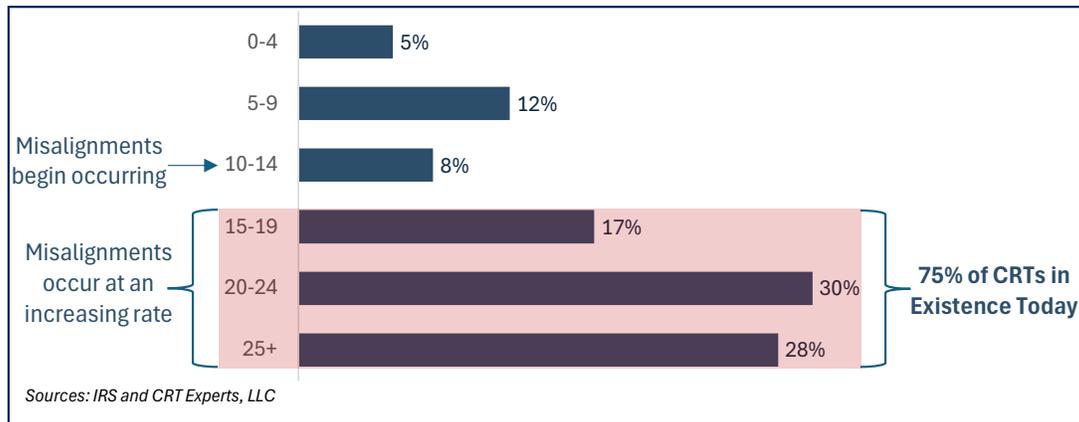
Moving forward (15 or more years since trust inception), the misalignments occur at an increasing rate. Again, this isn't surprising. The older the CRT, the further we are removed from creating the trust, the more things will have changed for the client, and the likelihood of a misalignment is greater.

Consider the prior two observations in tandem:

1. IRS data confirms that 75% of CRTs are more than 15 years old.
2. CRT Experts' data indicates that CRT misalignments begin occurring 10-15 years after the CRT's creation and subsequently occur at an increasing rate.

This leads to a clear conclusion: considering the age of most existing CRTs—and the clients who established them—the need for effective CRT secondary planning has never been more timely or relevant than it is today.

The conclusion is just as evident when viewed graphically. The following chart overlays the IRS data on existing CRTs with CRT Experts' findings on when CRT misalignments most commonly arise.



Clearly, a large majority of CRTs in existence today are of the age when misalignments between the CRT and the client’s current situation are most likely.

The Importance of CRT Reviews

In many ways, a client’s CRT planning is no different from their investment, estate or tax planning. As the client ages, the planning should be reviewed to ensure it is the optimal planning for the client’s situation at the current time, and adjustments should be made as necessary. For example:

- Financial advisors adjust investment portfolios as clients approach and enter retirement.
- Attorneys update trust and estate plans when clients experience significant life changes like births, divorces, remarriages, or shifts in wealth.
- CPAs help clients make strategic tax moves when changes in tax rates are anticipated.

Does any of this mean the previous planning wasn’t a good fit when it was implemented? Of course not. The advisor is simply adjusting the client’s planning so it is the best fit with their current situation. In this way, CRTs are no different, and evaluating the continuing usefulness of a client’s CRT should be a routine part of any regular financial or trust and estate review.

But when it comes to client awareness, CRTs are different. The irrevocable nature of the trust often leads to the (mis)perception that the trust is a “lifetime lockup,” and because CRTs are relatively uncommon, there is not the general awareness that exists with more

common types of planning. Clients know they can sell their house when they wish to downsize, adjust their investment portfolios as they grow older, and update their estate plans when grandchildren arrive. But most are unaware of the options they have concerning their CRTs.

Evaluating whether a client's CRT still meets their needs should be a routine part of every financial or estate planning review. With most CRTs now decades old—and the clients who established them aging—this assessment is more critical now than ever.

Solutions for Addressing CRT-Client Misalignments

In most cases, CRT misalignments can be corrected through the use of proven techniques, collectively known as *CRT secondary planning*.

Although each CRT secondary planning technique leads to a different outcome for the client, from a tax and legal perspective, they are all possible because the IRS views the income interest in a CRT as a capital asset (see Rev. Rul. 72-243, 1972-1 C.B. 233). This means that, like other capital assets—such as stocks, bonds, and real estate—a CRT income interest can be sold, donated to charity, or used to create a new CRT with revised terms. In most cases, at least one of these secondary planning options can effectively resolve the CRT-client misalignment.

Option 1: Sale of CRT Income Interest

The sale option is a viable solution when a client wishes to exit a CRT for any reason. It is especially suitable when the client wishes to achieve the maximum value personally. The client receives cash that is taxable at the current capital gains rate. The income stream is redirected to a third-party buyer.

By selling, the client effectively converts future CRT income into a lump-sum cash payment today. In doing so, they also lock in the current capital gains tax rate on future CRT income and eliminate all administrative responsibilities associated with the CRT, which are assumed by the buyer.

The CRT itself remains unchanged when its income interest is sold. The trust's term continues to be tied to the seller's lifetime or specified term, the payout rate remains the same, and the principal will still be distributed to charity upon the seller's death or date certain. The only difference is that the buyer receives the future income stream in exchange for the lump-sum cash payment made to the seller at closing.

Selling a CRT income interest works for clients who:

- Want to maximize the after-tax value they receive when exiting a CRT.
- Are looking to simplify their financial affairs.
- Prefer liquidity now over future trust income, to better position assets for heirs.

Option 2: CRT Rollover

A CRT rollover is a planning technique designed to meet the needs of clients who wish to change something about their existing CRT. Most are interested in finding ways their children or other family members can receive some or all of the remaining value from their CRT. Some are interested in deferring or forgoing unneeded income from the CRT to avoid the related tax. Others have a mix of these goals.

With a rollover, these clients create a new CRT—with terms in line with their current objectives—and use their existing CRT income interest to fund/monetize the new CRT.

A CRT rollover works for clients who:

- Don't need the income their CRT is currently distributing and would prefer to avoid the associated taxes.
- Are not interested in converting future CRT income into a lump-sum cash payment (sale option).
- Would rather see the trust benefit children, grandchildren or other family members instead.

Option 3: Gift of CRT Income Interest

Clients who do not wish to receive any value for their income interest can gift it to the CRT's charitable beneficiary. This doesn't create any taxable income for the client, and creates a charitable deduction equal to the IRS value of the income interest donated. The result is termination of the CRT with all of the assets going to the charitable beneficiary.

In order to claim the charitable deduction, the client will need to file a Form 8283 (for the non-cash contribution) and obtain a qualified appraisal, even if the CRT holds only cash and marketable securities.

Gifts of a CRT income interest to charity works for clients who:

- No longer need the income the CRT is distributing and want to avoid the associated taxes.
- Are not interested in converting future CRT income into a lump-sum cash payment (sale option).
- Do not wish to transfer additional assets to heirs (rollover option).

Comparing the Objectives and Outcomes

Because each secondary planning option creates a distinct outcome and addresses a different client objective, selecting the appropriate option is usually a straightforward process. Once the client is made aware of their options, a decision usually follows quickly and easily.

Client Objective	Best Option
Maximum to <u>Client</u>	Sale of Income Interest
Maximum to <u>Heirs</u>	CRT Rollover
Maximum to <u>Charity</u>	Gift of Income Interest

The key, of course, is making sure clients are aware of these options.

The Value of Regular CRT Reviews and Client Communication

Many clients don't realize that their CRT income interest is a capital asset, let alone that they have the flexibility outlined in this report. Because the trust is irrevocable, they often mistakenly view it as a lifetime lock-up. Helping them understand that their income interest can be treated similarly to investment real estate, publicly traded securities, or closely held stock can shift that perception and open the door to more informed decision-making.

To help determine which, if any, secondary planning option may be appropriate for a client, CRT Experts offers a complimentary, no-obligation review. No documentation or identifying information is required—just the nearest age of any income beneficiaries, the trust's payout rate, and the approximate trust value. With that information, we provide a detailed written analysis. There is no charge for the review; we are only compensated if a sale or rollover is completed.

Each secondary planning option addresses a distinct set of circumstances. If a client's situation aligns with one of these strategies, we're glad to work with you and the client to explore it further and assess its suitability. If the client decides not to proceed, they'll gain a clearer understanding of the available options—knowledge that may prove valuable if circumstances change in the future.

To initiate a review, call us at 703-520-2275 or email us at experts@crt-experts.com.

The following flow chart can be useful when initially assessing CRT-client fit.

The key components of a CRT review:

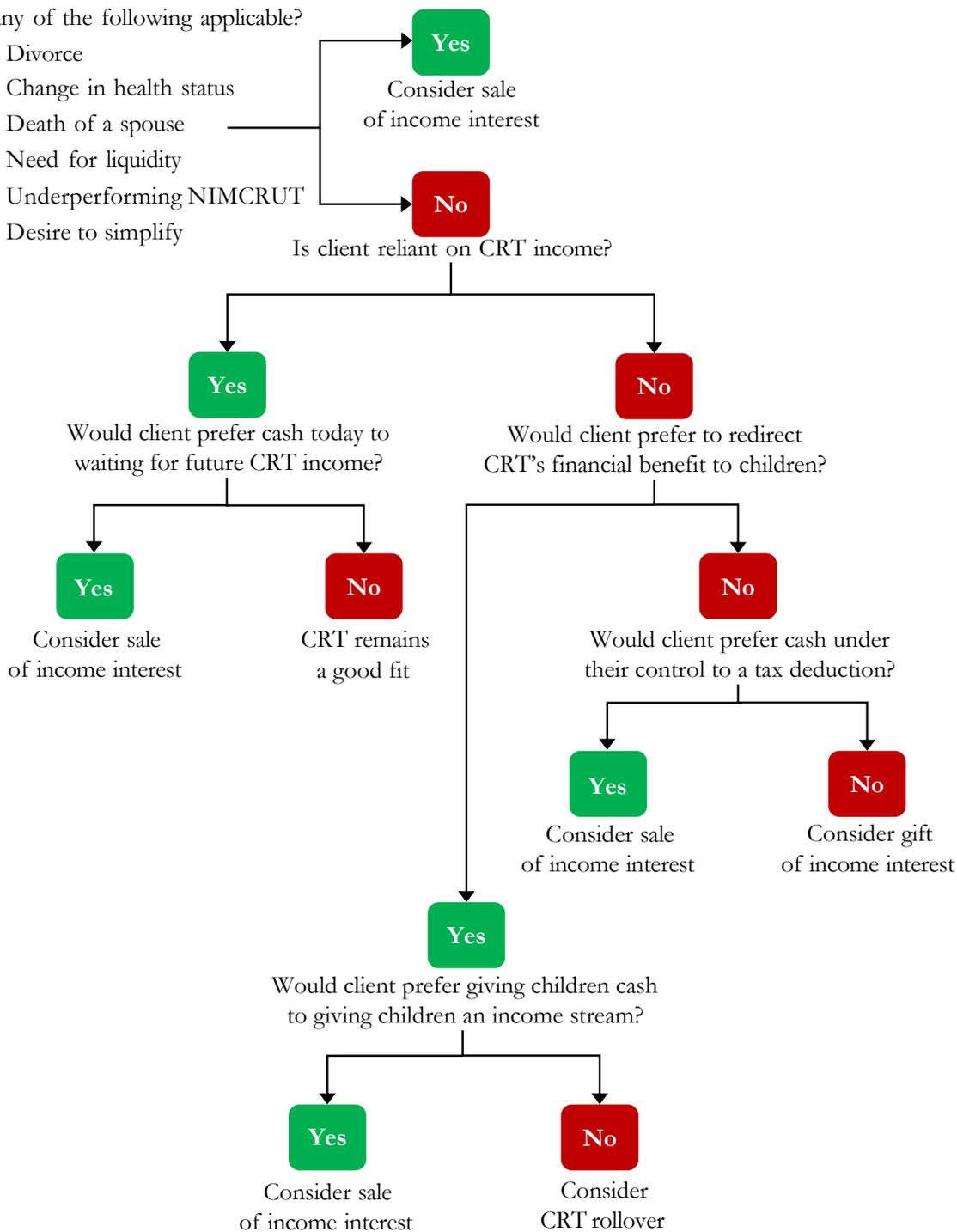
- Helping the income beneficiary understand all available options.
- Reviewing the income beneficiary's current situation and guiding them toward an informed decision about which—if any—secondary planning options may be a fit.
- Evaluating whether the chosen option makes sense from both a tax and financial perspective.

Essential Planning Options for Older CRTs

Is CRT Aligned with Client's Current Situation?

Are any of the following applicable?

- Divorce
- Change in health status
- Death of a spouse
- Need for liquidity
- Underperforming NIMCRUT
- Desire to simplify



Essential Planning Options for Older CRTs

“The team at CRT Experts is very knowledgeable and professional. They answered all our questions expeditiously and we never felt any pressure to make a quick decision. They were very helpful in negotiating some of the details of our transaction so that both buyer and seller were pleased with the final agreement. And they executed the final agreement very efficiently. We are very satisfied clients.”

Jim Butler
James and Diane Butler Charitable Trust
St. Louis, MO

CRT Transaction Related Authorities

1. Income Interest as a Capital Asset

McCallister v. Comm'r., 157 F.2d 235 (2d Cir. 1946), cert. denied, 330 U.S. 826 (1947)

Rev. Rul. 72-243, 1972-1 C.B. 233

PLR 200152018 (September 26, 2001)

PLR 200127023 (April 4, 2001)

2. Charitable Deduction

Conditions under which contribution of a CRT income interest can qualify for the income tax charitable deduction under IRC §170 and the gift tax charitable deduction under IRC §2522.

Rev. Rul. 86-60, 1986-1 C.B. 302

Rev. Rul. 79-295, 1979-2 C.B. 349

PLR 201321012 (February 1, 2013)

PLR 201249002 (September 7, 2002)

PLR 200630006 (April 14, 2006)

PLR 200524014 (March 15, 2005)

PLR 200205008 (October 23, 2001)

3. Assignment of Income Considerations

Blair v. Comm'r., 300 U.S. 5 (1937) (distinguishing the key assignment of income authorities, such as *Lucas v. Earl*, 281 U.S. 111 (1930), and holding that the irrevocable assignment of an equitable interest in a trust is sufficient to shift the taxability of the income interest to the assignees)

Harrison v. Shaffner, 312 U.S. 579 (1941) (distinguishing *Blair* on the specific facts of the case)

Raymond v. United States, 247 F. Supp. 2d 548 (2002) (in the context of the taxability of a contingent fee agreement)

- Continues on next page -

Farkas v. Comm'r, 170 F. 2d 201 (5th Cir. 1948)

Hawaii Trust Co., Limited v. Kanne, 172 F. 2d 74 (9th Cir. 1949)

Rev. Rul. 55-38, 1955-1 C.B. 389

PLR 9031010 (May 3, 1990)

PLR 8932040 (May 16, 1989)

PLR 8650024 (September 12, 1986)

4. Palmer-type Issues

Palmer v. Comm'r., 62 T.C. 684 (1974), *aff'd.* on other grounds, 523 F. 2d 1308 (8th. Cir. 1975), *acq.*, 1978-1 C.B. 2

Rev. Rul. 78-197, 1978-1 C.B. 83

Rauenhorst v. Comm'r., 119 T.C. 157 (2002)

But see *Blake v. Comm'r.*, 697 F.2d 473 (2d Cir. 1982)

PLR 201012050 (December 30, 2009)

PLR 200321010 (February 13, 2003)

PLR 200230004 (April 10, 2002)

PLR 9611047 (December 15, 1995)

PLR 8639046 (June 30, 1986)

These materials are made available solely as a convenience. CRT Experts, LLC, does not provide any tax, legal, accounting or investment advice. Persons contemplating any CRT transaction should consult with their own tax and legal advisors and may not rely on CRT Experts, LLC, its employees, officers, or agents for any tax, legal, accounting or investment advice. The term "CRT" in this document refers to a qualified charitable remainder trust.

Written Comments from Sellers

“We established this CRT in 1997 and, although it fulfilled its purpose then, it had become unnecessary to our current financial planning. We could not be more pleased with the professionalism of the CRT Experts team in guiding us through the entire process. In less than 30 days from my initial call, we have received the proceeds from the sale. We highly recommend CRT Experts to anybody in a similar situation.”

Ron Kutsche

**Ronald Allen Kutsche Charitable Remainder Unitrust
The Woodlands, TX**

“I worked closely with CRT Experts, LLC in connection with the sale of my income interest in a charitable remainder unitrust. They were indeed “experts” but also professional, ethical and caring. The transaction was completed to the full satisfaction of all the parties involved. Thank you for the first rate, careful and continuing leadership work you exercised to make this all come off in excellent fashion. You are real pros!”

Ben Uchitelle

**Benjamin & Susan Uchitelle Charitable Remainder Unitrust
St. Louis, MO**

“I recently dealt with CRT Experts in the sale of the income interest in my charitable remainder trust. The process was flawless from my original inquiry until conclusion of the transaction. They were prompt in responding to my inquiries. The explanation of the process and its execution were efficient and timely, start to finish. I can recommend CRT Experts without reservation.”

Dr. Andrew Kaufman

**Kaufman Charitable Remainder Unitrust
Denver, CO**

“I have been trying to simplify my financial affairs but thought the CRT and its paperwork hassle was just something I’d have to live with. Selling my income interest completely removed those concerns.”

Nancy Rodgers

**Rodgers Family Charitable Remainder Unitrust
Edgewood, KY**

“After receiving CRT Experts’ review of our CRT and learning what we would get from selling our income interest, how simple the mechanics of the transaction were, and how it would remove the CRT’s complications from our financial lives, we decided to move ahead with the sale. Everything went exactly as CRT Experts had laid out. Their solution is simple, transparent and turnkey. The staff’s communication was responsive and detailed. Very pleased with the results and would recommend CRT Experts to anyone looking to make changes with their CRT.”

Patrick Silva

**Patrick and Jennifer Silva Charitable Remainder Trust
Hanford, CA**

“We had a truly positive experience working with CRT Experts, LLC on the sale of our NIMCRUT income interest. Their team did an outstanding job clearly explaining the valuation of our interest based on the projected income, the options to consider, and the necessary steps to complete the sale. Our trust was over 20 years old, and the ongoing time, effort, and management it required were no longer a good fit for us. CRT Experts, LLC offered a great solution. They provided an excellent overview through a webinar, were outstanding in reviewing the details and preparing a proposal tailored to our trust, and were exceptional in managing the final steps and correspondence through closing. We highly recommend CRT Experts, LLC to anyone considering the sale of their CRT income interest.”

David Tracy

**The Jaye Laurie and David H Tracy Charitable Remainder Unitrust
Fernandina Beach, FL**

“I am well aware that what’s been a practically painless experience was as a result of your professionalism and your kind and patient care of me and Jacquie. It has been a good thing in my life to have worked with you. Appreciation and thanks.”

Jon Farbman

**Jon Farbman and Jacqueline West Farbman Charitable Remainder Trust
Greenwich, NY**

“I’m glad I worked with CRT Experts. Everything went as stated and without a hitch. I’m very pleased. I was a bit nervous about all this and I wanted to make sure everything was legitimate. Speaking with the contacts you provided at Wells Fargo and the two previous sellers allowed me to do the due diligence I needed and increased my confidence that all would go as stated.”

Tim Kiehl

**Timothy and Jill Kiehl Charitable Remainder Unitrust
Anacortes, WA**

“I just wanted to thank the staff at CRT Experts for making the whole transaction regarding the sale of my Charitable Trust interest seamless. Your knowledge and professionalism definitely impressed me. My attorney, who is a tax attorney, was very impressed with the way the contract was written and had no qualms about my signing it. I would highly recommend your firm to anyone who would inquire.”

Ciro DiLorenzo
Kathleen & Ciro DiLorenzo Charitable Remainder Unitrust
Myrtle Beach, SC

“I am very pleased with the professionalism and kindness of CRT Experts in handling the sale of my CRT income interest. They kept every commitment they made from the beginning of the process when I was extremely nervous. They answered all my questions clearly, I was paid when they said I would be, and they sent all the necessary documents for my taxes. Thank you for your good work.”

Ward Smith
Ward O Smith Charitable Remainder Trust
San Francisco, CA

“We were informed by CRT Experts that it was possible to sell our CRT income interest. We considered the pros and cons of our situation and decided to proceed with the sale. CRT Experts was with us every step of the way and answered all of our questions no matter how small. They were always available and very responsive. We are glad that we had CRT Experts to help us through this process.”

Geoff Levear
Levear Family Charitable Remainder Unitrust
Portland, OR

“CRT Experts getting me out of this charitable remainder trust is nothing short of liberating. My initial reaction to CRT Experts was that it was too good to be true. But y'all are great. You made the entire process so simple and easy. Thank you so much.”

Michael McBrayer
The Michael and Leann McBrayer Charitable Remainder Trust
Sparta, GA

“After I did my research, I felt CRT Experts was the most credible organization and the best option for me. Looking back at the transaction, they did everything they said they were going to do. A very honorable organization and easy to work with.”

Dr. Doug Ritchie
Ritchie Charitable Trust
La Pine, OR

“We wanted to send a short note to say thank you again for your professional, responsive, detailed and most helpful actions putting our deal together. We were tired of the CRT’s administrative requirements and knew we wanted to cash out ahead of yet another frustrating tax season with the trust. CRT Experts offered by far the best financial outcome. What we didn’t expect was the level of service we received. You are a testament to old-fashioned service and responsiveness. A pleasure to do business with. Thanks for making our transaction not only successful but also a joy to complete.”

Russell Shippee
Russell R Shippee Charitable Remainder Unitrust
North Kingstown, RI

“My wife and I have used CRT Experts to help with the transfer and sale of our CRUT income interest. It has been a real pleasure to work with this company. They have been on top of every question and offered great solutions to every need for the processing of selling our CRUT interest. We would use them again as our first choice of help if we have a similar trust interest to sell. We would highly recommend the help and services of CRT Experts.”

James Botdorf
Botdorf Charitable Remainder Unitrust
Mansfield, OH

“These people are knowledgeable, professional, competent and reliable. They handled the sale of the income from our irrevocable trust and did an outstanding job. We recommend them without reservation.”

Paul Apostol
Paul Apostol Irrevocable Trust
Bradenton, FL

“CRT Experts provided a detailed review that showed I could maximize my distribution by selling the income interest. They were professional and patient throughout the process, addressing my concerns, answering my questions, and coordinating the sale. I would highly recommend CRT Experts to anyone who wants to dispense with the responsibilities of maintaining and managing a charitable remainder trust.”

Phillip Brown
The PPB CRUT
New London, NH

Evaluation Request Form

Contact Information

Name: _____

Phone: _____ Email: _____

Trust Type (please check one)

_____ Standard CRUT (distributes a fixed percentage, regardless of trust income)

_____ NIMCRUT (distributes the lesser of trust income and a fixed percentage)

_____ CRAT (distributes a fixed dollar amount, regardless of trust income)

Payout Rate

If trust is a Standard CRUT or NIMCRUT, provide the fixed percentage: _____%

If trust is a CRAT, provide the fixed dollar amount: \$_____

Trust Value

Please provide the approximate trust value: \$_____

Trust Duration

If the trust pays for lifetime(s), provide birthdates of all income beneficiaries:

Birthdate 1: ____/____/____ Birthdate 2: ____/____/____

Birthdate 3: ____/____/____ Birthdate 4: ____/____/____

If the trust pays for a fixed term, please provide the years remaining: _____ years

**Please return completed form by email to
experts@crt-experts.com or by fax to 703-995-0850**

“I am retired now (83) and no longer needed the CRT that I did for myself more than 20 years ago. I was a CFP®, MBA and AEP (Accredited Estate Planner) and provided CRTs for lots of clients. I wish I knew of this flexibility when I was practicing. Before my advisor introduced me to CRT Experts, I tried to liquidate our CRT with a prestigious hospital in Southern California. They didn't think it could be done and then—after demonstrating that it could be done—they came up with ridiculous roadblocks. CRT Experts provided professional, quick and responsive solutions to our situation. I am thoroughly pleased!”

John Patzman
John & Ruth Patzman Charitable Remainder Trust
Carlsbad, CA



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