

Spotlight on Giving: Bruce & Judy Davis create their Scouting Legacy through a Charitable Remainder Trust



CRTs provide an income tax deduction, lifetime of income, and most importantly, a legacy gift to support Scouting

Charitable Remainder Trust (CRT)

A Charitable Remainder Trust (CRT) pays individual beneficiaries an annual amount for their lives or a fixed term of up to 20 years. When you create a CRT, you can claim an income tax deduction that represents the present value of the eventual gift. When the CRT ends, the remaining assets are distributed to the designated charity (for example, Greater Los Angeles Area Council). An Annuity Trust makes a fixed annual payment, and a Unitrust makes a variable payment (paid annually, quarterly, or monthly). If two individuals put in funds and one passes, the Trust remains until the second individual passes. When both individuals pass, the remaining Trust funds go to the designated charity. The individuals receive a charitable deduction in the year the Trust is formed (or contributions are added to the trust) based on their ages (life expectancy) and the amount of the designated return.

Donor Spotlight: Bruce & Judy Davis

In 1994, long-time Scouters and donors, Bruce and Judy Davis, formed a Charitable Remainder Unitrust (CRUT) using appreciated stock. The Trust was to pay up to 6% of the Trust value or the amount earned in a year, paid quarterly by check. They put in \$27,800 in appreciated stock that had a cost basis of about \$1,500. Had the couple cashed out the stock, they would have paid about \$11,000 in capital gains taxes. By making a gift of appreciated stock, they avoided taxes on the sale of the stock. At the creation of the CRUT, Bruce and Judy were 55 and 51 years old, respectively. Based on their ages, they received a charitable deduction of \$4,623 and saved \$1,803 in income taxes. Overtime, the fund grew to about \$56,000.

This year, Bruce and Judy Davis added \$54,174 in appreciated stock to the CRUT, increasing the its value to over \$100,000. The appreciated stock had a basis of \$25,300, providing a capital gains tax savings of \$8,855. Bruce and Judy are now 81 and 77 years old, respectively. They received a charitable deduction of \$26,760 for this addition to their CRUT and saved \$9,373 in income taxes. Now managed by the BSA National Foundation, Bruce and Judy's CRUT quarterly payments will be paid via direct deposit and they will receive an annual K-1 tax form, detailing the income from dividends, capital gains, interest, etc. Upon the maturity of the trust, the remaining assets of the CRUT will be given to the Greater Los Angeles Area Council, who they named as the beneficiary of this trust.

By the numbers:

\$26,800 = cost basis of the stocks transferred to the CRUT in 1994 & 2020

\$19,855 = capital gains tax savings by transferring appreciated stock (instead of selling the shares, which would have been subject to capital gains tax)

\$31,383 = total charitable deduction

\$11,176 = total income tax savings

\$100,000+ = benefit to the Greater Los Angeles Area Council, upon the maturity of the trust