

# Setting Up Charitable Trusts

This playbook describes the sequential steps involved in setting up a trust with the purpose of donating assets to charity. It explains both the process of establishing the trust and the tax benefits that come with such charitable contributions, applicable during the lifetime of the trust creator or after their death.

## Step 1: **Research**

Conduct thorough research on different types of charitable trusts, like Charitable Remainder Trusts (CRTs) and Charitable Lead Trusts (CLTs), to understand which one aligns with your financial and philanthropic goals.

## Step 2: **Consult Expert**

Consult with a financial advisor, tax professional, or estate planning attorney to analyze your situation and get advice on the most beneficial type of charitable trust for you.

## Step 3: **Choose Charity**

Select one or more charities that are aligned with your values and confirm that they qualify for charitable trust benefits under current laws.

## Step 4: **Draft Trust Document**

Work with an attorney to draft the trust document, which will outline the terms, trustees, beneficiaries, and assets that will fund the trust.

## Step 5: **Sign and Notarize**

Sign the trust document in front of a notary public to make it legally binding.

## Step 6: **Transfer Assets**

Transfer assets into the trust as detailed in the trust agreement. This process will vary depending on the type of assets (e.g., cash, stocks, real estate).

## Step 7: **File Trust Tax ID**

Apply for a tax identification number (TIN) for the trust from the IRS, as it will be necessary for tax reporting and for the trust to own assets.

## Step 8: **Administer Trust**

Begin the administration of the trust according to the terms outlined in the document, which might include distributing income to beneficiaries or the charity.

## Step 9: **Keep Records**

Maintain meticulous records of all trust transactions and file annual tax returns for the trust, using its TIN, to benefit from tax deductions and fulfill legal obligations.

# **General Notes**

## **Trust Variation**

The specifics of the trust will vary greatly depending on the type, such as a CRT, which typically provides a stream of income to the donor before leaving the remainder to charity, or a CLT, which provides income to the charity and leaves the remainder to non-charitable beneficiaries.

## **Tax Benefits**

Understand that while there are tax benefits to creating a charitable trust, the exact benefits are subject to change based on current tax laws and regulations, and should be reviewed with a tax professional.

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