

# Annuity Trust

*A Charitable Remainder Annuity Trust is an irrevocable trust that provides a fixed payment to one or more beneficiaries for their lifetimes or a specified term of years. When the trust terminates, the remaining principal becomes available for the work of Academy Prep Foundation.*

This information is intended to provide an overview of the uses of an annuity trust. It is to the best benefit of donors to discuss specific details of their estates and estate plans with their trusted financial advisor. Academy Prep Foundation would be pleased to assist you as you consider the charitable dimension of your long-range financial plans.

## How it Works

- You make a gift of cash or securities.
- Minimum gift amounts apply. No additions may be made to a trust, but you may establish additional annuity trusts.
- Designate up to two other people (yourself and another or any other two people) to receive the fixed payments.
- Trust payments equal a fixed dollar amount which you determine when the trust is established (at least 5% of the initial value of the gift.)

## Benefits

- In the year the gift is made, the present value of Academy Prep Foundation's interest in the gift is considered a charitable contribution.
- The annuity trust is tax-exempt and not subject to tax on realized capital gains when funded with appreciated assets.
- The charitable portion of the trust is not subject to taxes in your estate.
- Provide fixed payments for yourself or others for life WHILE supporting the mission of Academy Prep Foundation.
- When payments to the beneficiaries end, the remaining trust assets become available for Academy Prep Foundation to expand and strengthen its programs for years to come.

**SAMPLE CASE STUDY** *The following is an example of a way to remember Academy Prep Foundation with an annuity trust. As with other estate plans, seek the advice of your financial advisor.*

■ **Mr. Abrams**, at age 75, made a gift of \$100,000 to fund a Charitable Remainder Annuity Trust. Annual payments from the trust are \$5,000 at a rate of 5.0%. The charitable contribution portion will be \$65,028 with a potential tax savings of \$18,207 (28% tax bracket). After his lifetime, the remaining trust assets will go to Academy Prep Foundation to provide future scholarships for students to attend Academy Prep.