



California-Hawaii Elks Major Project, Inc.

The More You Know...

Information About Bequests and Living Trusts

"GIVING, RECEIVING, and PRESERVING".

A TRIPLE PLAY Opportunity with a BLT-Commitment Trust

Bequests and Living Trusts Commitment Trust, also known as BLT-Commitment Trust or BLT-CT for short, is a charitable remainder trust (CRT), set up by the Elks to benefit the California-Hawaii Elks Major Project.

As with other charitable remainder trusts, the donor in a BLT-Commitment Trust makes an irrevocable transfer of money or property to the trust ("GIVING" - the first leg of the triple play). In return, the donor receives an immediate income tax deduction for the value of the remainder interest. In addition, he (or his designated beneficiary) will receive a portion of the trust income for a certain period of years or for a lifetime or lifetimes ("RECEIVING" - the second leg of the triple play). When the donor dies or after the period of years expires, the trust assets are turned over to the charitable organization. Since life insurance can be purchased in a Wealth Replacement Trust to replace the value of the property given to the CRT, the heirs' interest on the estate is preserved ("PRESERVING" - the third leg that completes the triple play).

Consider an Elk, age 75 and his spouse, age 73. They have a CD in the bank earning about 5% interest per year. By establishing a \$10,000 BLT-CT, they will receive a \$700 annual income during the first year. Thereafter, an annual income of 7% of the trust value, which may go up or down depending upon the investments of the trust, will be paid out to them as long as they live. In addition, they will also get an immediate income tax deduction of \$3,901, which translates to even more income for them. When they both pass away, whatever remains in the trust will go to the charity, our Major Project.

For people who donate highly appreciated assets such as stocks or real properties to a charitable remainder trust, the same process will work even more to the benefit of the donor. Since there is no capital gain tax if these assets were sold inside the CRT, more money will be invested and as a result more income will be generated for the donor.

If the donation is high enough to generate more income than they could use, they could establish a Wealth Replacement Trust and use the extra income to purchase a survivorship (a.k.a. second-to-die) life insurance policy on their lives so that when they die, the proceeds of the insurance will go to their heirs, income and estate tax free, replacing all or part of the money that they have given away.