

# Building a Family Legacy:

## The Power of a Multi-Life Charitable Remainder Trust (CRT)



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Imagine a powerful technique that seamlessly combines estate planning, financial planning, and philanthropy into one. The multi-life Charitable Remainder Trust (CRT) takes the benefits of a regular CRT and enhances them by incorporating "multiple lives."

In this article, we will explore the unique advantages of a multi-life CRT and how it can help you create a lasting family legacy.

### Estate Planning: Maximizing Tax Benefits and Legacy Preservation

The multi-life CRT offers a multitude of estate planning benefits. One of the core benefits of a CRT is that it reduces the amount of death/estate taxes on the amount treated as passing to the charity (present value). Additionally, it provides a lifetime charitable income tax deduction and defers capital gains taxes on appreciated assets contributed to the CRT, thanks to its tax-exempt status.

Notably, the CRT not only safeguards wealth but also ensures favorable cash flow, income tax deductions, and income for the future beneficiary. Along with these benefits, it simultaneously establishes a meaningful and lasting legacy for the remainder charity beneficiaries under the CRT.

### Financial Planning: Fulfilling Common Goals and Maximizing Returns

A CRT can satisfy the donor's desire to have financial assets left over to take care of the donor's family and leave a legacy. The CRT maintains a steady income for the donor through required annual distributions (minimum 5 percent) while allowing for diversification of investments without incurring upfront capital gains taxes. With tax-exempt status, the CRT enables tax-free compounded growth within the trust and favorable income taxation on distributions.

With a multi-life CRT, you can choose multiple successor beneficiaries, be it a spouse, child, grandchild, or sibling, with a consistent income stream for a specified number of years or even their lifetime. In turn, the donor enjoys an immediate charitable income tax benefit that helps offset taxable income.



## Philanthropic Planning: Making a Meaningful Impact

A CRT provides mutual benefits for all parties involved, including donors, their families, and chosen charities. It establishes an irrevocable trust that secures a legacy gift to the donor's preferred charity while allowing flexibility to change selected charities during the CRT's income term.

The multi-life CRT can serve as a catalyst for family philanthropy, fostering a sense of unity and shared values across generations.

### Example:

**To illustrate the potential of a multi-life CRT, let's consider the following scenario: a donor with a \$5,000,000 estate, a spouse, and two children.**

The donor's plan entails setting up a revocable trust to provide the surviving spouse's lifetime benefits of \$4,000,000, plus two \$500,000 multi-life CRTs. Upon the spouse's passing, the revocable trust divides into two \$2,000,000 lifetime trusts to benefit the children and grandchildren. Additionally, the two \$500,000 multi-life CRTs will provide a steady distribution of approximately \$25,000 per year for each child (equal to the 5 percent distribution rate.) This distribution will continue for their lifetime or up to a set amount of time (maximum of 20 years.)

Finally, upon the death of the last non-charitable beneficiary, the remaining assets would pass to the donor's selected charities, ensuring a lasting philanthropic impact.

## Multi-life CRT & Donor-Advised Funds: A Perfect Match

In many cases, donors may choose to make the charitable beneficiary a donor-advised fund at a community foundation. By partnering with a donor-advised fund, like Collier Community Foundation, donors gain centralized control over their charitable giving, ensuring flexibility and efficiency. Partnering with the Collier Community Foundation is a sensible way to build a meaningful legacy and make a significant difference in their communities while benefiting from reduced taxes, including estate and gift taxes, lifetime charitable income tax deductions, and deferred capital gains taxes.

By integrating estate, financial, and philanthropic goals, the multi-life CRT may be a powerful tool to consider as you plan your estate.



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## *Why I Choose the Collier Community Foundation...*

As a professional advisor and a local wealth management leader in our community, I have trust and confidence in the great work that Collier Community Foundation does. I know when I refer my clients to them, their charitable needs and goals are in great hands. The Collier Community Foundation can help you leave a legacy, make an impact and transform the community we love.

— **Amy Hale**

*Regional President -Southeast BMO Wealth Management U.S.*

**You have the opportunity to ensure the future of our community for the next generations.** Together we can help you invest in the community you love and support the causes you care about most.

Call us at Collier Community Foundation at 239-649-5000 to learn more.



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