When it's time to retire

The average age of a farmer today in America is 57. The country has seen an increase of 30 percent in farmers who are older than 75, and a decrease in the number of farmers younger than 25 by 20 percent.

With fewer young farmers, the future of a family farm looks different. In the past, transitioning the family livelihood to son, daughter or other family member was common. Now, farm assets are often liquidated by auctioning equipment and livestock and selling land. The profits are then available for retirement and estate planning.

An option that provides for the farmer and the family

But liquidating these assets can trigger burdensome taxes, both at the federal and state levels. And there’s a risk that money for retirement will run out. Typically, farmers stand to lose about half the value of their assets to taxes after liquidation. In contrast, putting the funds in a charitable remainder unitrust (CRUT) means hard-earned assets can be liquidated with minimal income tax. Additionally, the trust provides for the farmer and his or her family financially. Long after the CRUT’s owner has passed, the funds continue to make an impactful difference for their family, church and community.
Most people prefer to do a CRUT because they’re thinking in long-term; they have an asset they would like to turn into a gift. By creating a CRUT, they are giving away their asset, but they’re also making a provision to receive income back for life.

**Case Study**

**Turning Their Lives into a Lasting Legacy**

Harold and Lorraine Olson worried what would become of the assets of their farm – a place that had been the center of their lives for so many years, the place where they had raised a family and crops, blessed abundantly by God.

The Olsons wanted to pass down their faith and the value of those blessings. They thought selling the equipment and machinery was the only way, but dreaded ceding much of the proceeds to taxes, both state and federal. TLHA presented the couple with a solution to financial concerns – a charitable remainder unitrust (CRUT).

With the help of TLHA, the Harold and Lorraine Olson Charitable Remainder Unitrust was created and funded by the antique tractors, bushels of corn, antique plows and antique toys donated to the TLHA Foundation. By choosing a CRUT, the couple was able to turn all of their appreciated and depreciated assets into a cash value, without the tax burden.

Harold had been a long-time collector of antique tractors, plows and farm toys, and he was excited to find out he could auction them off and have all the proceeds go toward his and Lorraine’s long-term care needs, the needs of their grandchildren as well as the needs of charities they supported.

Initially, the Olsons weren’t ready to part with all their assets. Conveniently, assets can be added to a CRUT at a later time. When the corn harvest proved bountiful, a portion was sold and added to the balance of the CRUT, preventing further income taxes.

In winter 2015 Harold passed away and Lorraine continues to receive a percentage of the value on an annual basis and will for the rest her life. After Lorraine’s death, the Olsons’ six grandchildren will receive the percentage distribution along with a letter about their grandparents’ faith in God, for 10 years.

“This was a wise business move for us, and we want to be wise with the gifts God has blessed us with,” Harold said when choosing the CRUT. “We also wanted to take care of ourselves and our family in a way that we are all reminded that while physical needs are important, spiritual needs are even greater.”

After the 10-year period is complete, the remaining principle will be split between TLHA, the Olsons home church and school and a few of the Olson’s other favorite charities. The distribution period can be up to 20 years, though Harold and Lorraine preferred 10 years.

All those years Harold and Lorraine worked from sun up to sun down now remain as a lasting legacy of sharing Jesus with their family and charities through Olsons’ generous philanthropy and careful financial planning.
Charitable Gifting Vehicles

Charitable Remainder UniTrust (CRUT)
A CRUT is an irrevocable contract that a donor or donors establish to benefit charity and provide a stream of income for themselves and others if they so choose.

- Assets can be transferred into the CRUT and sold without creating a taxable event, which increases the assets’ income potential.
- Donors receive a partial charitable income tax deduction for a gift of cash and sometimes for gifts of other assets.
- Donors or their designees receive a percentage of the trust’s value as valued at the end of each year.
- Donors can choose to have the benefits pay out during their lifetime, or for a period of up to 20 years to a second generation of beneficiaries.
- Additional gifts may be added periodically.

Charitable Remainder Annuity Trust (CRAT)
With a CRAT, the donor receives a fixed dollar amount quarterly, semi-annually or annually based on a percentage of the value of a one-time gift.

- A CRAT is funded only one time and cannot receive additional gifts.
- At the death of the donor, the payouts may continue to a second generation for a period not to exceed 20 years.
- At the end of the trust period, the remainder becomes a gift to charity.
- The funding gift should have a value of at least $100,000.

Charitable Gift Annuity (CGA)
A CGA is a simple irrevocable contract between the donor and the charity where the donor donates cash or appreciated securities to the foundation in exchange for fixed payments for life to the donor, or the donor and one other person.

- Upon death, the remainder benefits a designated or undesignated program of the nonprofit that issued the CGA.
- The starting gift should have a value of at least $10,000.

Donor Advised Fund (DAF)
A DAF is a charitable giving vehicle designed for an individual, family or group of people to make irrevocable, tax-deductible contributions of cash or assets to charity.

- DAFs receive favorable tax treatment and allow the donor to take a federal income tax deduction of up to 50% of adjusted gross income (AGI) for cash contributions and 30% for appreciated assets.
- DAFs provide an opportunity for the donor to make a tax-deductible gift all at once and retain the ability to recommend distributions of gifts to various charities through his/her lifetime.
- DAFs can also receive additional gifts from anyone at any time.
- The starting gift should have a value of at least $25,000.

Life Estate Agreement (LEA)
A LEA is a transaction in which an individual or couple irrevocably transfers the title of a personal residence, vacation home or real estate property to a charitable organization with a retained right to use the property for their life or a specified term of years.

- Gifts of a remainder interest entitle the donor to a partial charitable contribution income tax deduction.
- At the conclusion of the measuring term, all rights in the property are transferred to the Non-Profit.

TLHA is here to assist you in leaving a legacy that shares your gifts and your values with those you love and the charities you care about. We can help you find the income-producing charitable giving vehicle that fits your situation and assist you in sharing your gifts with those you love. That’s a legacy worth planning!
Legal and Financial Considerations

Administration of a charitable remainder trust involves using an attorney who is familiar with philanthropic gifts and agriculture as well as holding, investing and distributing trust funds, filing unique IRS tax returns and state tax returns and, in some states, issuing an annual report to beneficiaries. Because of these requirements, a CRT has the most value for all involved when the initial proceeds are at least $100,000, while a CGA has the most value when the gift is at least $10,000.

The Lutheran Home Association Foundation has become a preferred partner for those with appreciated assets of any kind who wish to avoid high income and capital gains taxes while using their assets to benefit family, faith and community.

About The Lutheran Home Association

The Lutheran Home Association (TLHA) is a not-for-profit ministry dedicated to providing for the spiritual, physical and emotional needs of people in our care. We offer a wide variety of health care, housing, technology strategies, dementia services and outreach and spiritual services with campuses in several states and congregational programs serving seniors and individuals with intellectual developmental disabilities nationwide. Learn more at www.tlha.org, follow @TLHAword on Twitter and “Like” us on Facebook.

Our Mission

The mission of The Lutheran Home Association is to share Christ’s love as we serve the spiritual, physical, intellectual and emotional needs of people entrusted to our care and others whose lives we touch.

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