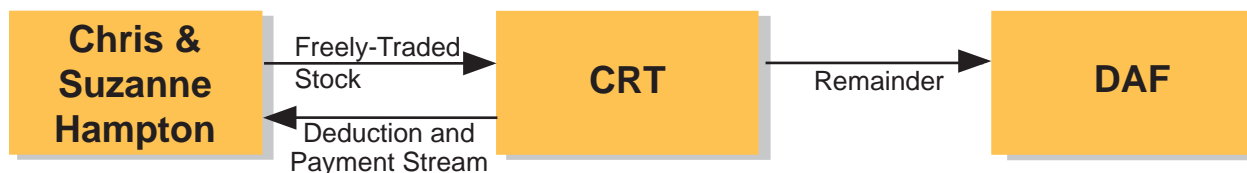


# Case Strategy: *Increasing Lifetime Cash Flow*

HAMPTON



Chris & Suzanne Hampton, both 63, own a \$1 million portfolio consisting of freely-traded stocks they bought several years ago for a total of \$250,000. Because of the low dividend yield (2%), the Hamptons are ready to sell the stock to increase their cash flow. However, their financial advisor reminded them that any sale of the stock would trigger a capital gain of \$144,000.

To meet their needs, their financial advisor suggests a plan that will increase their cash flow, further defer capital gain taxes, create an income tax deduction and remove the stock from their taxable estate. The financial advisor recommends moving the stock portfolio to a 6% Standard Charitable Remainder Unitrust (SCRUT) that pays an annual variable cash flow to the Hamptons during their lives.

At their death, the assets remaining in the SCRUT, will go to a donor-advised fund (DAF). Chris & Suzanne's children will advise the charity sponsoring the DAF regarding ongoing charitable distributions.

## Key Features of SCRUTs

- SCRUTs provide an annual, variable cash flow to the income beneficiary so they are well-suited for clients desiring a continuous, predictable cash flow.
- Like most CRTs, SCRUTs can accept additional contributions after the initial funding.
- SCRUTs must make a payment to the income beneficiary every year.
- Whatever remains at the end of the noncharitable term is paid to one or more charities.
- The required annual distribution listed in the SCRUT document must meet certain tests including being between 5% and 50% of the annual market value of the SCRUT.

**Chris & Suzanne**  
Before-Tax  
Lifetime Cash Flow  
\$2,020,000

**Chris & Suzanne**  
Income Tax  
Deduction  
\$255,000

**Donor-Advised  
Fund**  
\$1,673,000

**Chris & Suzanne**  
Initial Capital Gain  
Taxes Saved  
\$144,000

### Assumptions:

AFR = 3.2%. Deduction may be limited. Consult a tax advisor.  
Marginal Federal and state dividend and capital gain tax rates of 19.25%.  
Marginal Federal and state income tax rate of 38.25%.  
CRT produces 2% dividend yield and 6% capital appreciation.  
Chris & Suzanne will also benefit their heirs through life insurance or separate planning.

**For more details about this strategy or any other charitable or trust case, please call Renaissance at 800.843.0050.**

This example is hypothetical and for educational use only. The situations, tax rates or return numbers do not represent any actual clients or investments. There is no assurance that the rates depicted can or will be achieved. Actual results will vary. Please consult with legal and tax counsel about the suitability of this plan before proceeding.

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