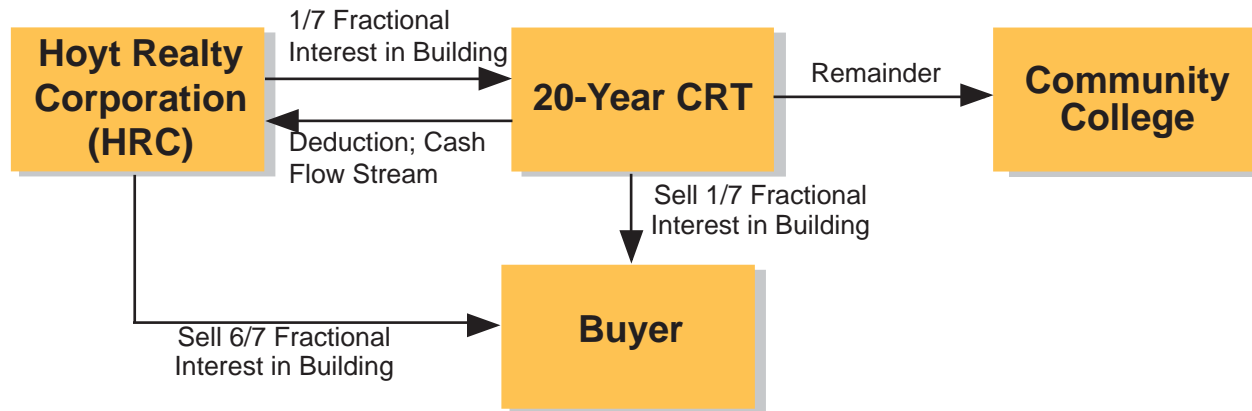


Case Strategy: *Corporation Creates a CRT*

HOYT



Hoyt Realty Corporation (HRC) owns a strip mall, valued at \$7 million with a depreciated basis of \$60,000, that is in the path of a planned development project. Debbie Hoyt, age 65, is the President and the sole shareholder of HRC. Debbie is ready to relinquish the management responsibilities associated with the property and is looking forward to funding her retirement with the proceeds from the sale of the property. In addition, Debbie wants to endow a scholarship at the local community college.

The developer wants to purchase the real estate from HRC instead of HRC's stock. Therefore, Debbie and HRC are now faced with a double tax on the proposed sale of the property to the new developer.

In conjunction with Debbie's other financial and estate planning goals and after confirming that there is no outstanding debt on the strip mall, Debbie's gift planning team recommends that HRC create a charitable remainder trust (CRT) and transfer a 1/7th fractional interest to the CRT. HRC will be the income beneficiary of the CRT for 20 years. HRC obtains a qualified appraisal for its transfer of a 1/7th fractional interest in the strip mall to a CRT, in order to substantiate its income tax charitable deduction. The gift planning team further recommends that the CRT utilize a flip provision to minimize the risk associated with a delayed sale.

As a result, approximately 14% of the gain on the sale of the strip mall is sheltered from immediate taxation. HRC receives a current income tax deduction, retains a unitrust interest for the next 20 years and indirectly removes the value transferred to the CRT from Debbie's taxable estate. After expiration of the 20-year term, the local community college will receive funds to create an endowed scholarship in Debbie's name.

HRC Receives an Immediate Income Tax Charitable Deduction

HRC Receives 20 Years of Cash Flow From the CRT

Community College Receives a Gift at the Expiration of 20 Years

Assumptions

The term of the CRT is 20 years, the maximum allowed to corporations.
Corporate charitable income tax deductions are limited to 10% of AGI with a five-year carry forward.
The property in the CRT cannot be used by or sold to HRC, Debbie or related parties.

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

Renaissance

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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