VIRGINIA COMMONWEALTH UNIVERSITY

Policy on gifts of charitable gift annuities, remainder unitrusts, remainder annuity trusts and lead trusts

Policy Type: Local
Responsible Office: Development and Alumni Relations
Initial Policy Approved: 5/2009
Revised Policy Approved: 01/2013

Policy Statement and Purpose

The university and its affiliated foundations accept many types of planned gifts, including charitable gift annuities, remainder unitrusts, remainder annuity trusts and lead trusts. The requirements associated with each type of gift are:

- **Charitable gift annuity** - $25,000, and the minimum age of the donor must be 50
- **Charitable unitrust -** $50,000, and the minimum age of the income beneficiary must be 50
- **Charitable annuity trust** - $50,000, and the minimum age of the income beneficiary must be 50
- **Charitable lead trust -** $100,000

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Who Should Know this Policy?

All university employees engaged in activities related to development and alumni relations are responsible for knowing this policy and familiarizing themselves with its contents and provisions.

Definitions

Charitable gift annuity
A lifetime contract between the donor and the university or affiliated foundation. The donor makes a gift of cash or appreciated assets to Virginia Commonwealth University or affiliated foundation to fund the annuity and then selects one or two income beneficiaries to receive a fixed income for life based on their ages. These rates of return are based on the tables of the National Committee on Gift Annuities.

Charitable remainder unitrust
The transfer of cash or property to a trust can establish a charitable remainder unitrust. The creation of the unitrust requires formal documentation by the donor under which assets, such as cash, appreciated securities or

both, are irrevocably transferred to the trust, which then pays the donor(s), or a person(s) specified by the donor, an income for life.

Charitable remainder annuity trust

An annuity trust is similar to a unitrust, with the principal difference being the manner of calculating the payment to the income beneficiary. At the creation of an annuity trust, the income the designated beneficiaries receive is a fixed amount based on the fair market value of the assets on the date the trust is established. This allows for a reliable, stable income that is not subject to market fluctuations for the income beneficiary. Additional contributions cannot be made to an annuity trust.

Charitable lead trust

Another form of the charitable trust contributes an income interest to the university. A donor transfers property to the trust, which provides income payments for a period of years to Virginia Commonwealth University or its affiliated foundations (and perhaps additional charitable organizations). At the completion of the stated period of years, the assets of the trust (principal) revert to the donor or distribute to one or more persons designated by the donor. Thus, the name of the trust indicates how it works, with the income interest paid to the affiliated foundation “leading” or coming before the “remainder” interest paid to the noncharitable beneficiaries.

Related Documents

- CASE Reporting Standards and Management Guidelines, Section 1.2.10, 1.3.4, 1.3.5

Contacts

The Office of Development and Alumni Relations officially interprets this policy. The Office of Development and Alumni Relations is responsible for obtaining approval for any revisions as required by the policy Creating and Maintaining Policies and Procedures through the appropriate governance structures. Please direct policy questions to the director of Gifts & Records Management or the director of planned giving.

Procedures

1. **Charitable gift annuity**
    a. The donor cannot make additional contributions to the charitable gift annuity, but the donor can enter into additional contracts.
    b. The present value of the assets transferred to establish the gift annuity, as discounted by IRS guidelines, will be credited in fundraising totals.

2. **Charitable remainder unitrust**
    a. The unitrust provides for periodic payment of income to the donor, and/or another person specified by the donor, for life or a term of years.
    b. Upon the completion of said term of years, or the death of the income recipient(s), the trust assets pass to the university or affiliated foundation.
    c. The university or its affiliated foundation manages and invests the trust assets.
    d. The designated beneficiaries then receive payments based on a fixed percentage of the fair market value of the trust as valued annually by the American Council on Gift Annuities.
    e. Donors can make additions to the unitrust during their lifetime or by bequest upon their death.
    f. Gifts made to establish a charitable remainder unitrust, where the remainder is not subject to change or revocation, will be credited at the discounted present value of the remainder interest allowable as a deduction by the IRS.
        i. The premise underlying the discounting to present value of gifts of a future interest is that the present value of a future interest is less than the face (fair market) value of the assets at the time the gift commitment is made.
3. **Charitable remainder annuity trust**

a. The creation of the annuity trust requires formal documentation by the donor under which assets such as cash, appreciated securities or both are irrevocably transferred to the trust.
b. The trust then pays the donor(s), or a person specified by the donor, a fixed dollar amount at least annually, either for a term of years (but not more than 20 years) or for the life of the income beneficiaries.
4. At the death of the specified income beneficiary or the end of the specified term of years (or the 20-year period), the university or affiliated foundation receives the trust assets to be used for the purposes designated by the donor.
5. Gifts made to establish a charitable remainder annuity trust, where the remainder is not subject to change or revocation, will be credited at the discounted present value of the remainder interest allowable as a deduction by the IRS.
    a. The premise underlying the discounting to present value of gifts of a future interest is that the present value of a future interest is less than the face (fair market) value of the assets at the time the gift commitment is made.

6. Charitable lead trust

a. The donor can specify the amount of income to be paid to the university or designated foundation each year by either a fixed dollar amount (annuity interest) or a fixed percentage of the trust assets valued at least annually (unitrust interest).
b. The "lead" trust can be advantageous to donors who have a larger income than they currently need and who are focused on protecting their property for heirs.
c. Charitable lead trusts are not considered deferred gifts but outright gifts, as the university or affiliated foundation receives the benefit of the donor's generosity over a period of years.
d. In the case of such gifts, the income received from the lead trust each year will be credited to that year's fundraising totals.

Forms

There are no forms associated with this policy.

Revision History

This policy supersedes the following BOV policies approved in 5/2009:

- 2.3.2 Charitable Gift Annuities
- 2.3.3 Charitable Remainder Unitrusts
- 2.3.4 Charitable Remainder Annuity Trusts
- 2.3.5 Charitable Lead Trusts

FAQs

There are no FAQs associated with this policy.