

[Firm Name]
[Address]
[City, State, Zip Code]

[Date]

[Client Name]
[Client Address]
[City, State, Zip Code]

RE: Charitable Remainder Trust (CRT) Tax Strategy Advisory

Dear [Client Name],

Following our recent consultation regarding the management of your highly appreciated assets, this letter outlines the proposed implementation of a Charitable Remainder Trust (CRT) as a core component of your tax and estate planning strategy.

1. Executive Summary

The CRT is an irrevocable trust designed to provide you with an income stream for a specific term or life, with the remaining assets eventually passing to a designated charitable organization. This strategy aims to mitigate capital gains taxes while securing a current income tax deduction.

2. Immediate Tax Benefits

Upon the transfer of [Description of Asset] into the trust, you are eligible for a federal income tax deduction. This deduction is based on the present value of the remainder interest that will eventually pass to the charity, calculated using IRS actuarial tables and current interest rates.

3. Capital Gains Deferral

Because the CRT is a tax-exempt entity, the trust can sell the appreciated assets without incurring immediate capital gains tax. This allows the full proceeds of the sale to be reinvested in a diversified portfolio, potentially increasing the overall yield of your income stream compared to a private sale.

4. Income Distributions

You will receive annual distributions from the trust based on a [Fixed Percentage / Fixed Dollar Amount]. Please note that these distributions are taxed according to the "tier rules":

- Tier 1: Ordinary Income
- Tier 2: Capital Gains
- Tier 3: Other Income (Tax-exempt)
- Tier 4: Corpus (Tax-free return of principal)

5. Strategic Considerations

While the CRT offers significant tax advantages, it is an irrevocable commitment. We

recommend a final review of the projected remainder value to ensure it meets the 10% minimum requirement mandated by the IRS.

6. Next Steps

To proceed, we will need to coordinate with your legal counsel to draft the trust instrument and obtain a formal appraisal of the assets to be contributed.

Please contact our office at [Phone Number] to schedule a follow-up meeting to finalize these details.

Sincerely,

[Advisor Name]
[Title]