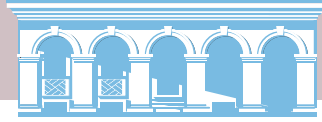


CHARITABLE REMAINDER TRUSTS

GIFT PLANNING AT THE



UVA HEALTH SYSTEM

The Charitable Remainder Trust A Great Way to Give—And to Receive

A charitable remainder trust is a wonderful way to make your philanthropic impact on the University of Virginia Health System and create a reliable payment stream for you and the beneficiaries you select.

How Does It Work?

A **charitable remainder trust (CRT)** can be funded with a wide range of assets, including securities, cash, or real estate. A CRT provides income to you and/or other beneficiaries you designate for life or for a selected term of years. The remainder is then put to use by the UVA Health System as you direct. For a minimum funding level of \$50,000, the Health System will serve as trustee of your trust, and the trust assets will be invested with trust investment pools within the Health System's endowment.



Relief From Taxes

If you establish a CRT, you may be eligible to receive several tax benefits, including a bypass of capital gains tax, a current charitable income tax deduction, and a reduction in estate taxes. Your tax adviser will help you determine how each of these benefits applies in your specific situation.

Regular Payments—A Great Way to Supplement Your Income

You and your beneficiaries will receive regular payments from the trust for the entire trust term. Payments typically range between 5% and 7% of the trust value if the Health System serves as trustee.

If you establish a **charitable remainder annuity trust (CRAT)**, your annual payment will be a fixed percentage of the initial value of your trust. Your trust "annuity" payment will not fluctuate from year to year based on market performance.

If you instead establish a **charitable remainder unitrust (CRUT)**, your annual payment will be a fixed percentage of the trust's principal as it is revalued each year. Thus, your "unitrust" payment will increase when the trust value increases but decrease if the trust value decreases.



EXAMPLE

Dr. and Mrs. Smith are 69 years old. Together, they fund a charitable remainder unitrust with \$75,000 in appreciated securities.

Based on a 6% unitrust payment, the Smiths will receive in the first year a \$4,500 unitrust payment. In the following years, that amount will change based on the trust's annual value. The unitrust payment will be paid to both of the Smiths while they are both living, then to the survivor for the rest of his or her life.

In addition to their annual payments, the Smiths will be entitled to a charitable income tax deduction of \$25,897.50 in the year they establish their trust.

The money left in the trust after the Smiths have died will support the UVA Health System in the way the Smiths designated when they set up their trust.



Typically, your annual payment will be made in quarterly installments, but when you establish your trust, you can decide how often you want to receive your payments.

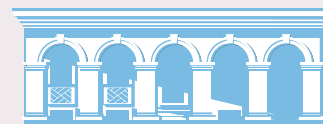
Your Legacy for the UVA Health System

At the end of the trust term, the assets remaining in the trust will be distributed to the Health System school or program you select for the purposes you define. For example, you might direct that the remainder be distributed for the Health System's unrestricted use, to fund a scholarship or professorship in your name, to help with capital improvements, or to support a particular research program in a selected department.

Real Estate and a "Flip" Trust

If you want to fund a trust with a gift of real estate (or other hard-to-sell assets), you might want to establish a special kind of CRUT known as a "Flip" CRUT. Until the trust sells the real estate, your annual payments will comprise only

the net income of the trust. After the sale, however, you will begin receiving annual unitrust payments as described above. The University of Virginia Office of Gift Planning regularly handles real estate transactions and is well-equipped to help you fund a trust with real estate.



The University of Virginia Cornerstone Society— Letting Us Say Thank You

The Cornerstone Society recognizes alumni and friends who have made planned gifts to the University through: wills, living trusts, retirement plans, life insurance, pooled income fund gifts, gift annuities and charitable remainder trusts, or lead trusts.

The Cornerstone Society takes its name from the cornerstone of Pavilion VII laid in 1817 at a ceremony attended by James Madison, James Monroe, and Thomas Jefferson. Just as the cornerstone of Pavilion VII provided the foundation for the University's first building, our Cornerstone Society members are laying the groundwork for the University's future.

Whom Do I Contact?

For more information about how to establish a charitable remainder trust to benefit any part of the University, please contact the Office of Gift Planning, P.O. Box 400807, Charlottesville, VA 22904-4807; send us an email at giftplanning@virginia.edu; or call (434) 924-7306 or (800) 688-9882. You can also find more information about other planned gifts on the Gift Planning Web site at www.virginia.edu/giftplanning.



The University of Virginia does not provide legal or tax advice. We recommend that you seek your own legal and tax advice in connection with gift and planning matters. To ensure compliance with certain IRS requirements, we disclose to you that this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.