

# THE TESTAMENTARY CHARITABLE REMAINDER UNITRUST

## A Solution to the SECURE ACT and BENEFICIARY INHERITANCE PLANNING



*ARE YOU INTENDING TO LEAVE YOUR IRA to your children and other heirs? Were you planning to utilize a “stretch IRA plan?” Did you know the SECURE Act has dramatically changed the tax law rules, substantially increasing the income taxes paid by your children on inherited IRAs? Need a solution?*

**The Testamentary Charitable Remainder Unitrust** *is an excellent plan to replace your old stretch IRA plan.*

### WHAT IS THE SECURE ACT?

The SECURE Act addresses distributions from retirement accounts. The law provides that beneficiaries of retirement accounts must withdraw an inherited IRA within 10 years. With few exceptions, the Act effectively eliminates stretch IRA plans. As a result, the taxable distributions to most IRA beneficiaries will be larger, and the taxes they pay will be higher.

### WHAT IS A TESTAMENTARY CHARITABLE REMAINDER UNITRUST?

A testamentary charitable remainder unitrust is a tax-exempt trust designed to make income payments to your heirs over their lifetimes or for a term of up to 20 years. At the end of the trust, the remaining principal is distributed to support a non-profit like Viterbo University. The trust is sometimes called a “give it twice” trust because it enables you to give the gift of income to your heirs and leave a potentially comparable gift to support Viterbo University.

### HOW DOES THE TRUST WORK?

You can create an unfunded or minimally funded charitable remainder unitrust today or direct that one be created and funded with your IRA when you pass away. You have the ability to designate the trust beneficiaries, payout rate and term (lifetime or up to 20 years). Make sure to update your IRA beneficiary designation to designate the trust as the beneficiary of your IRA. Upon your passing, the trust will receive the IRA distribution and then begin to make payments to your heirs.

### BENEFITS OF A TESTAMENTARY CHARITABLE REMAINDER UNITRUST

- Replaces your obsolete stretch IRA plan
- Spreads out the income payments over the lifetime of your heirs; it’s not limited to 10 years
- Provides income tax savings to the heirs
- Allows tax-free growth inside the trust
- Protects heirs
- Results in no taxes being paid on the IRA when it is distributed to the trust
- Is changeable and revocable during your lifetime
- Generates a charitable estate tax deduction
- Leaves significant charitable gifts to support Viterbo

### OTHER CONSIDERATIONS

- The heirs whom you want to be the income beneficiaries must be specifically named in the trust and alive when the trust is created.
- If a named heir is under 30 years of age, a calculation needs to be run to determine if the trust will qualify to make lifetime payments. If not, you can use a term of 20 years, which is twice the period allowed under the SECURE Act.
- The tax law requires a minimum trust payout rate of 5%.
- The trust must be named as beneficiary of your IRA; if you name your estate as the beneficiary, the IRA will be taxed, thus negating your planning.
- Exceptions to the SECURE Act 10-year rule include a surviving spouse and children under the age of 18.

### IS THIS STRATEGY RIGHT FOR YOU?

If you are...

- Planning to benefit your family through your IRA
- Depending upon a now obsolete stretch IRA plan
- Interested in saving taxes
- Charitably minded

...then a testamentary charitable remainder unitrust is a worthwhile option to consider.

For more information, contact Eric Schmidt, [erschmidt@viterbo.edu](mailto:erschmidt@viterbo.edu) or 608-796-3078 or go to [www.viterbolegacy.com](http://www.viterbolegacy.com) for more information.



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