

Charitable trusts provide income for the donor or a designated loved one for the term of the trust (life or a specified number of years) while also providing a significant contribution to the school at a substantial tax advantage. Trusts may be established during a donor's lifetime (intervivos trusts) or through an estate (testamentary trusts).



Charitable remainder trusts are trusts in which the trustees distribute income, generally no less than five percent, to a beneficiary for the term of the trust. When the trust terminates, any remaining principal and interest income is distributed to an organization designated as charitable by the Internal Revenue Service, such as **PRESIDIO HILL SCHOOL**. The school may be named to receive the remainder of the entire principal, or a percentage of the trust. Gifts from charitable remainder trusts can be invaluable to the school in building its endowment.

- **Charitable remainder annuity trusts:** A charitable remainder annuity trust pays a designated beneficiary an annuity, or a fixed amount of income each year. For example, a \$100,000 trust that designates a fixed payout equal to a rate of six percent will provide the beneficiary with a contribution of \$6,000 per year for life or for the life of the trust. The remaining principal and interest would then be given to the school.
- **Charitable remainder unitrust:** A charitable remainder unitrust pays a designated beneficiary an amount that may vary from year to year. The payment is a percentage of the principal, calculated annually, allowing the beneficiary's income to grow as the principal grows. For example, a trust with assets of \$100,000 and a payout rate of six percent will yield \$6,000 in its first year, but if the trust assets are valued at \$110,000 the second year, the beneficiary will receive a payout of \$6,600. A unitrust may be established so that the beneficiary receives payment only from interest income or from the principal as well, if the income is insufficient. Once the payout term is completed, the school would receive the remaining principal and interest.

Charitable lead trusts provide **PRESIDIO HILL SCHOOL** with a guaranteed annual income or use of a specific property for a given number of years. When the trust is terminated, the principal or property reverts back to the donor or the estate. A lead trust gives reliable income to the School and can provide a reduction in gift or estate taxes when transferring property to others.

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