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A charitable remainder annuity trust ("annuity trust") is a gift plan defined by federal tax law that allows a donor to provide income to herself and/or others while making a generous gift to charity. The income may continue for the lifetimes of the beneficiaries, a fixed term of not more than 20 years, or a combination of the two.

The donor irrevocably transfers assets, usually cash, securities, or real estate, to a trustee of her choice, such as a bank trust department. The donor receives an income tax deduction equal to the trust's remainder value to the charity, subject to IRS 30%/50% limitations30_50_Deduction_Limitations. The remainder value to charity must be at least 10% of the funding amount.

During the trust's term, the trustee invests the trust's assets. Each year, the trustee distributes a fixed dollar amount to the income beneficiaries. The payments must be between 5% and 50% of the trust's initial value and are made out of trust income, or trust principal if income is not adequate. Payments continue until the trust term ends or until the highly unlikely event that the trust distributes all its assets. Payments may be made annually, semiannually, quarterly, monthly, or weekly.

When the annuity trust term ends, the trust's principal passes to charity, to be used for the purpose the donor designates.

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Charitable Remainder Annuity Trust