

[Bill Laskin](#) - Tue, 3/20/2012 - 00:00

Have you wondered what role charitable remainder trusts, charitable lead trusts, and pooled income funds play in fundraising nationwide? Have you wondered how much organizations like yours typically benefit from these gifts? Have you wondered how many of each are in place across the country? You can answer these and many other questions about these gift arrangements by visiting the IRS website.

Every year, the IRS collects detailed information on split-interest trusts - charitable remainder trusts (CRTs), charitable lead trusts (CLTs), and pooled income funds (PIFs) - on Form 5227. Since 2000, the IRS has published aggregated statistics on these gift plans based on the Form 5227 returns it has received. The latest statistics available are for the 2010 filing year, which means they largely reflect information from the 2009 tax year.

The IRS also publishes a paper each year that analyzes the Form 5227 statistics and provides substantial additional detail about these gift plans. The paper lags about a year behind the raw data, so the latest paper is for the 2009 filing year (2008 information). Form 5227 became significantly more detailed in 2007, allowing the 2008 and 2009 papers to offer an even better look at CRTs, CLTs, and PIFs than earlier papers.

You can see the statistics and the papers for yourself by going to [the IRS site](#). The rest of this article highlights some of the very interesting information we have gleaned from there.

### **Basic Split-Interest Gift Statistics**

The table below summarizes information found in separate tables on the IRS site. It gives you a good picture of the number and value of CRTs, CLTs, and PIFs nationwide. The information is based on 5227s filed in 2010, so it's really 2009 information. Note that the dollar amounts are in thousands of dollars, so what appears to be millions in total net assets for each gift type is actually billions.

### **Split-interest trust statistics from the IRS based on Form 5227s filed in 2010**

| Item                              | Total        | Size of end-of-year book value of total assets (in \$1,000) |                             |                               |                                |  |
|-----------------------------------|--------------|---|-----------------------------|-------------------------------|--------------------------------|--|
|                                   |              | Under \$500,000   | \$500,000 under \$1,000,000 | \$1,000,000 under \$3,000,000 | \$3,000,000 under \$10,000,000 |  |
|                                   | (1)          | (2)   | (3)                         | (4)                           | (5)                            |  |
| <b>CRUT<br/>Number of returns</b> | 93,831       | 66,555  | 14,431                      | 9,458                         | 2,672                          |  |
| <b>Change from 2008</b>           | -2.5%        | 2.7%  | -10.4%                      | -16.4%                        | -16.3%                         |  |
| <b>CRUT<br/>Total net assets</b>  | \$91,582,144 | \$11,649,290  | \$10,059,418                | \$15,174,815                  | \$13,318,157                   |  |
| <b>Change from 2008</b>           | -6.6%        | -0.6%   | -9.7%                       | -15.7%                        | -15.8%                         |  |
|                                   |              |   |                             |                               |                                |  |
| <b>CRAT<br/>Number of returns</b> | 16,937       | 13,664  | 1,855                       | 1,073                         | 284                            |  |
| <b>Change from 2008</b>           | -12.0%       | -12.0%  | -3.1%                       | -20.4%                        | -24.9%                         |  |
| <b>CRAT<br/>Total net assets</b>  | \$7,494,666  | \$1,445,618   | \$1,333,581                 | \$1,697,057                   | \$1,402,667                    |  |
| <b>Change from 2008</b>           | -16.1%       | -16.9%  | -2.1%                       | -19.2%                        | -22.3%                         |  |
|                                   |              |   |                             |                               |                                |  |
| <b>CLT<br/>Number of returns</b>  | 6,609        | 2,991   | 1,314                       | 1,382                         | 629                            |  |

|                              |              |           |           |             |             |
|------------------------------|--------------|-----------|-----------|-------------|-------------|
| <b>Change from 2008</b>      | 1.3%         | 9.3%      | -0.1%     | -4.9%       | -12.9%      |
| <b>CLT Total net assets</b>  | \$19,338,914 | \$434,253 | \$902,910 | \$2,235,500 | \$3,171,047 |
| <b>Change from 2008</b>      | -1.6%        | -11.5%    | -3.7%     | -7.9%       | -18.1%      |
|                              |              |           |           |             |             |
| <b>PIF Number of returns</b> | 1,410        | 1,079     | 118       | 125         | 63          |
| <b>Change from 2008</b>      | -5.2%        | -5.6%     | 19.2%     | -13.8%      | -11.3%      |
| <b>PIF Total net assets</b>  | \$1,277,204  | \$122,367 | \$76,313  | \$201,949   | \$337,368   |
| <b>Change from 2008</b>      | -12.4%       | -3.4%     | 5.3%      | -14.5%      | -14.0%      |

As you might expect, IRS statistics show that charitable remainder unitrusts (CRUTs) are by far the most common of the four vehicles listed, outnumbering charitable remainder annuity trusts (CRATs) more than five-fold, charitable lead trusts (lead annuity trusts and lead unitrusts combined) over 14-fold, and PIFs 66-fold. CRUTs also hold the greatest value in assets, but here CLTs, perhaps surprisingly, come in second, and CRATs a distant third. In other words, CLTs tend to be very large. The average book value of a CLT in 2009 was nearly \$3 million, far larger than the average value of a charitable remainder trust or pooled income fund. Nevertheless, a substantial fraction of CLTs, 45%, had a book value of less than \$500,000.

When you compare these statistics to those from two years earlier (2008 filing year / 2007 tax information), you see a decline in the number and book value almost across the board. This does not come as a shock, given the Great Recession that hit full stride during this time. Nevertheless, the magnitude of change for each gift type is revealing. While the decline in the number and book value of CRATs was in the

double digits, the number of CRUTs shrank just 2.5% and their value “only” 6.6%. CLTs were the big winners, relatively speaking, actually increasing in number by 1.3% and declining in value by just 1.6%. The arrival of extremely low IRS discount rates during this period, which work to the advantage of charitable lead annuity trusts, probably explains the resilience of the CLT numbers. Like CRATs, PIFs declined over 10% in value during these years and in 2009 constituted barely 1% of the value of all split-interest trusts.

### Benefit to Charity

The statistics above are interesting, but they only hint at the benefit each type of split-interest gift provides to charity. The good news is that the most recent IRS analyses of these gifts answer this question explicitly. They include tables that show separately the income and principal distributed to charity by each gift type during the tax year. What’s more, this information is broken down by type of charity, making it possible for you to compare your own organization’s results with the results of like organizations. The table below combines the values found in the separate income and principal tables provided by the IRS.

### Total Charitable Distributions, by Type of Trust and Charity Type, Filing Year 2009<sup>1</sup>

[All figures are estimates based on samples—money amounts are in thousands of dollars]

|                                | CLTs          |                  | All PIFs      |                  | CRTs <sup>2</sup> |                  |
|--------------------------------|---------------|------------------|---------------|------------------|-------------------|------------------|
|                                | Number        | Amount           | Number        | Amount           | Number            | Amount           |
| <b>Total</b>                   | <b>30,906</b> | <b>2,539,548</b> | <b>12,219</b> | <b>1,272,240</b> | <b>17,848</b>     | <b>1,221,240</b> |
| Arts, culture, and humanities  | 2,964         | 91,644           | 916           | 63,050           | 2,022             | 28,000           |
| Education                      | 7,079         | 569,391          | 3,341         | 389,112          | 3,384             | 154,000          |
| Environment, animals           | 1,359         | 42,191           | 369           | 22,802           | 938               | 16,000           |
| Health                         | 3,809         | 292,580          | 1,253         | 224,473          | 2,472             | 67,000           |
| Human services                 | 5,262         | 180,844          | 2,016         | 108,101          | 3,169             | 67,000           |
| International, foreign affairs | 333           | 3,188            | 26            | 260              | 304               | 2,000            |

|                              |       |           |       |         |       |     |
|------------------------------|-------|-----------|-------|---------|-------|-----|
| Public, societal benefit     | 4,540 | 1,148,195 | 1,442 | 331,385 | 3,065 | 809 |
| Religion related             | 4,577 | 166,934   | 2,625 | 127,900 | 1,748 | 35  |
| Mutual membership benef orgs | 89    | 96        | 81    | 76      | 8     |     |
| Other                        | 892   | 44,484    | 149   | 5,084   | 737   | 39  |

<sup>1</sup> Values in this table determined by adding values for distributions of principal and distributions of income.

<sup>2</sup> CRT values determined by adding values for distributions from CRATs and distributions from CRUTs.

The values in this table reveal some surprising facts. One that jumps out is that in 2008 lead trusts distributed nearly as much to charity as remainder trusts: \$1,221,913,000 vs. \$1,272,240,000. Which is to say, comparing book values overlooks an essential difference between CLTs and CRTs: CLTs distribute funds to charity every year of their existence while almost all CRTs distribute funds to charity just once at their very end.

Given the attention that CLTs - particularly the “shark fin” trust and its cousin the step annuity trust - have received the past few years because of record low IRS discount rates, it is quite possible that charities now receive more dollars from charitable lead trusts than from charitable remainder trusts. We’ll have to wait for the IRS analyses of the 2010 and 2011 filing years to get the definitive answer.

The grand total of \$2.5 billion distributed to charity from CLTs, CRTs, and PIFs is about 11% of the \$22.6 billion in bequests that Giving USA estimates were distributed the same year. Although the IRS statistics do not include several types of planned gifts, most notably gift annuities, these statistics would seem to support the widely-held notion that bequests constitute about 80% of the dollars raised by planned giving programs. The percentage may be even a little higher than that.

### **Who Gets What?**

The breakdown of charitable distributions by type of charity makes clear that the amounts received from CRTs and CLTs varies substantially by industry segment in both dollar and percentage terms. For example, educational institutions received \$389,112,000 from CRTs, more than double the \$154,902,000 they received from CLTs. In contrast, public and societal benefit institutions (which includes community

foundations and donor advised funds such as the Fidelity Gift Fund) received \$331,385,000 from CRTs, an amount that is just 40% of the \$809,922,000 received from CLTs.

It is also clear that different industry segments vary widely in their total split-interest trust activity. According to Giving USA, in 2008 the percentage of all gifts received by specific types of charities was:

|                          |     |
|--------------------------|-----|
| Religion related         | 35% |
| Education                | 13% |
| Health                   | 7%  |
| Public, societal benefit | 8%  |

Compare these percentages to their respective shares of split-interest trust distributions:

|                          |     |
|--------------------------|-----|
| Religion related         | 7%  |
| Education                | 22% |
| Health                   | 12% |
| Public, societal benefit | 45% |

Religion-related organizations received 35% of all donations, but just 7% of all CRTs, CLTs, and PIFs. Even taking gift annuities into account, religion-related organizations rely relatively little on planned gifts. In contrast, public and societal benefit organizations rely relatively heavily on funds from planned gifts: overall they received just 8% of all gifts, but 45% of all CRT, CLT, and PIF distributions.

## **Conclusion**

To us, the most surprising fact to emerge from the IRS data is that charitable lead trusts distributed nearly as much to charity as charitable remainder trusts in 2008. Despite only a few hundred CLTs being completed each year, today they may distribute more to charity than any other type of planned gift, gift annuities included. In the near term, the Federal Reserve has stated publicly that it intends to maintain extremely low interest rates until at least next year, which means the IRS discount rate should remain historically low. This means that CLTs should remain unusually attractive for many months to come.

The IRS paper for the 2009 filing year contains much more data and analysis than we've presented here. We encourage you to read it for yourself. In addition to being of general interest, you may find information we have not mentioned here that is of particular relevance to you and your organization.

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