

Education Unitrust: A Strategic Way to Fund Learning and Philanthropy

Philanthropy and education are two pillars that can transform lives and communities. For those seeking to merge these pursuits while maintaining financial flexibility, an education unitrust offers an innovative solution. This type of charitable trust allows donors to support education-focused initiatives while ensuring income for themselves or their beneficiaries. By leveraging the benefits of an education unitrust, donors can create a legacy that uplifts future generations and aligns with their values.

An education unitrust is a type of charitable remainder trust (CRT) that prioritizes educational purposes. It is an ideal vehicle for those who wish to combine their philanthropic goals with practical financial planning.

How Education Unitrusts Work

The mechanics of an education unitrust are straightforward and impactful:

1. **Contribution:** Donors transfer assets—such as cash, securities or real estate—to the trust. These contributions are irrevocable, meaning they cannot be reclaimed.
2. **Investment:** The trust's assets are invested to generate income, managed by financial professionals.
3. **Income Payments:** Donors or their beneficiaries receive annual payouts based on a fixed percentage of the trust's annual value. The payout amount adjusts as the trust's value fluctuates.
4. **Charitable Remainder:** At the end of the trust's term, the remaining assets are distributed to educational institutions or other charities specified by the donor.

The Benefits of an Education Unitrust

Financial Advantages

- **Lifetime Income:** Donors receive regular payments, offering financial stability throughout their lives or the designated term of the trust.
- **Tax Savings:** Contributions to the trust qualify for charitable income tax deductions. Additionally, donating appreciated assets can help avoid capital gains taxes.
- **Estate Planning:** Education unitrusts reduce the size of the donor's taxable estate, benefiting heirs and charitable causes alike.

Philanthropic Impact

- **Long-Term Support:** The remaining trust assets provide sustained funding for educational programs, scholarships or faith-based learning initiatives.
- **Customized Giving:** Donors can designate specific schools, programs or educational funds, ensuring their contributions align with their values and priorities.
- **Spiritual Alignment:** For Catholic donors, education unitrusts uphold the Church's emphasis on stewardship and a tangible way to support Catholic schools, theology programs or social justice education rooted in faith.

Inspiring Applications of Education Unitrusts

Education unitrusts have enabled countless individuals to create transformative legacies. For instance, a retired couple established a unitrust to fund scholarships for students attending Catholic high schools in underserved communities. Their initial contribution of appreciated securities avoided capital gains taxes while ensuring a lifetime income for their retirement. Upon their passing, the remaining assets will continue to provide opportunities for students for decades.

In another case, a donor used an education unitrust to endow a theology department at a Catholic university. This gift not only sustains academic programs but also strengthens the intellectual and spiritual foundation of future Church leaders.

Steps to Establish an Education Unitrust

Setting up an education unitrust involves careful planning and professional guidance. Here's how to begin:

1. **Define Your Goals:** Determine your priorities for income, education-focused philanthropy and long-term impact.
2. **Identify Beneficiaries:** Decide who will receive income payments and which institutions or programs will benefit from the remainder.
3. **Choose Assets:** Select the assets you wish to contribute, focusing on those that maximize tax benefits and financial returns.
4. **Work with Professionals:** Consult estate planning attorneys and financial advisors to structure the trust and ensure compliance with legal and financial requirements.
5. **Monitor and Adjust:** Periodically review the trust's performance and beneficiaries to ensure it aligns with evolving goals.

In the words of St. Thomas Aquinas, "Better to illuminate than merely to shine; to deliver to others contemplated truths than merely to contemplate." Our Catholic philanthropy team can help you illuminate the lives of countless learners through an education unitrust at 714.282.3021 or info@OrangeCatholicFoundation.org.

Please note The Orange Catholic Foundation does not provide tax, legal or accounting advice. This material is prepared and made available for informational purposes only.

Co-authors:



Kathleen Hurtt, CSPG^{CM}
OCF Executive Vice President



Anthony Vultaggio, CLU®, ChFC®
OCF Charitable Strategy Officer