The Capital Gains Bypass Trust

CTAI
CHARITABLE TRUST ADMINISTRATORS, INC.

BCJ FINANCIAL GROUP

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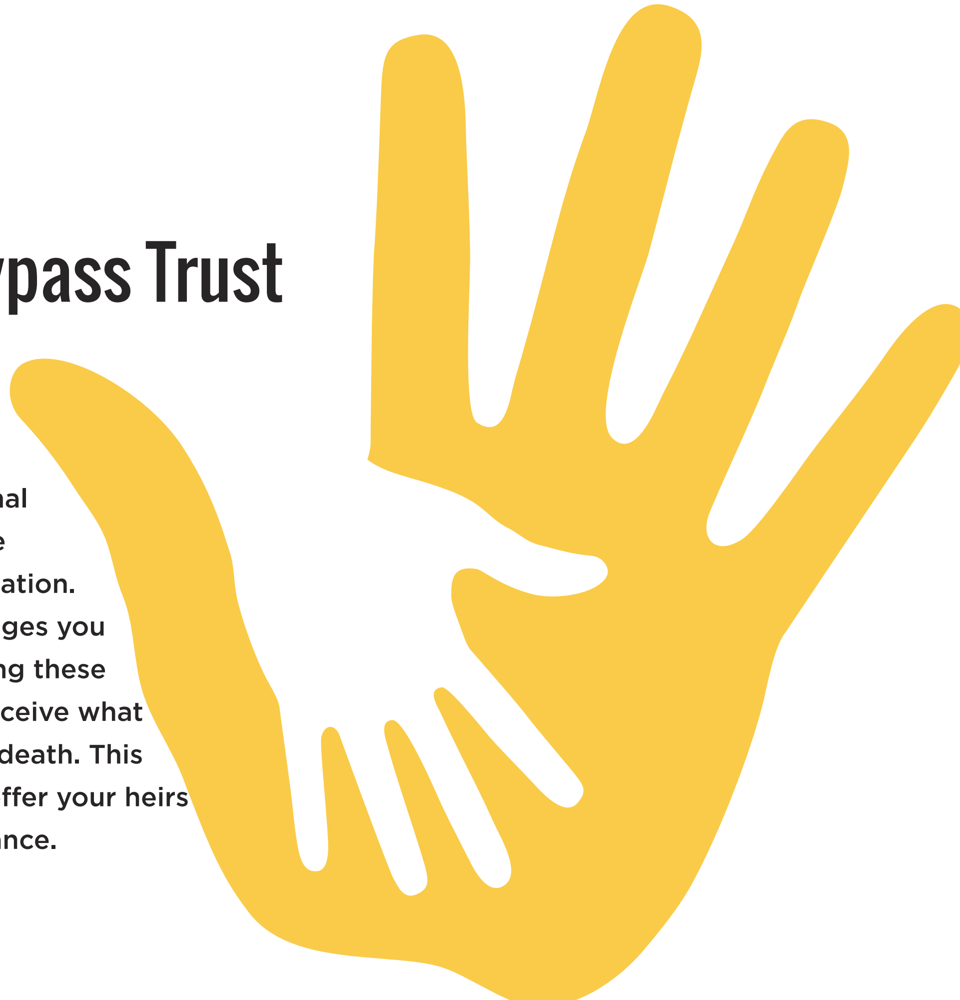


A Charitable Remainder Trust (CRT) is a way to bypass capital gains tax. It offers significant benefits personally and to the charities you wish to support. The personal benefits are a lifetime income and a large charitable deduction in the year of origination. Our federal government actually encourages you to support your favorite charities by giving these tax benefits. Your designated charities receive what is left (Remainder) in the CRT after your death. This approach to financial planning can also offer your heirs the potential to receive a greater inheritance.

The CRT in Brief

CRT's pay income based on a percentage of the asset's fair market value or annual fixed dollar disbursement. The year in which the CRT is created provides a significant charitable tax deduction and frees up tax dollars you may spend, instead of the government spending it for you. An added benefit is the freedom from investment worries.

Creating a CRT

As creator of the CRT, you will irrevocably transfer ownership of money, securities, real estate or a combination of the three into a Charitable Trust (CRT). The trustee can be you or an institution of your choice. The assets are then invested into a diversified portfolio. The income provided by the CRT pays you income for life. These Trusts can also specify lifetime income for a survivor (spouse/child) for their life. Upon the death of the surviving spouse or child, the remainder within the CRT becomes the property of the designated charity.

What can you put in a CRT?

A CRT can be funded with cash, real estate, stocks, bonds, artwork or almost anything of significant value. Generally the value needs to be $200,000 or more.

Income you receive

The CRT's assets are managed and invested by the Trustee. The beneficiary (creator/designee) is paid income annually, semiannually or quarterly. Assets are evaluated annually.

Income for someone other than yourself

CRT's can also be established to provide income for others (spouse/child/parent/etc.). This income can be received by them during your lifetime and then income goes to a beneficiary after they pass. The charitable deduction is lower for a two-life CRT than for a one-life plan because the payments extend for a longer period of time. A Wealth Replacement Trust or Life Insurance Trust may be established for heirs, to replace the assets that go to charity.

No Tax - Plus a deduction

When highly appreciated real estate or stocks are transferred into a CRT there are no tax consequences. Instead, a charitable deduction is calculated based upon the current full fair market value, not the cost basis when purchased.

CHARITABLE SUPPORT

Benefits Created by a CRT

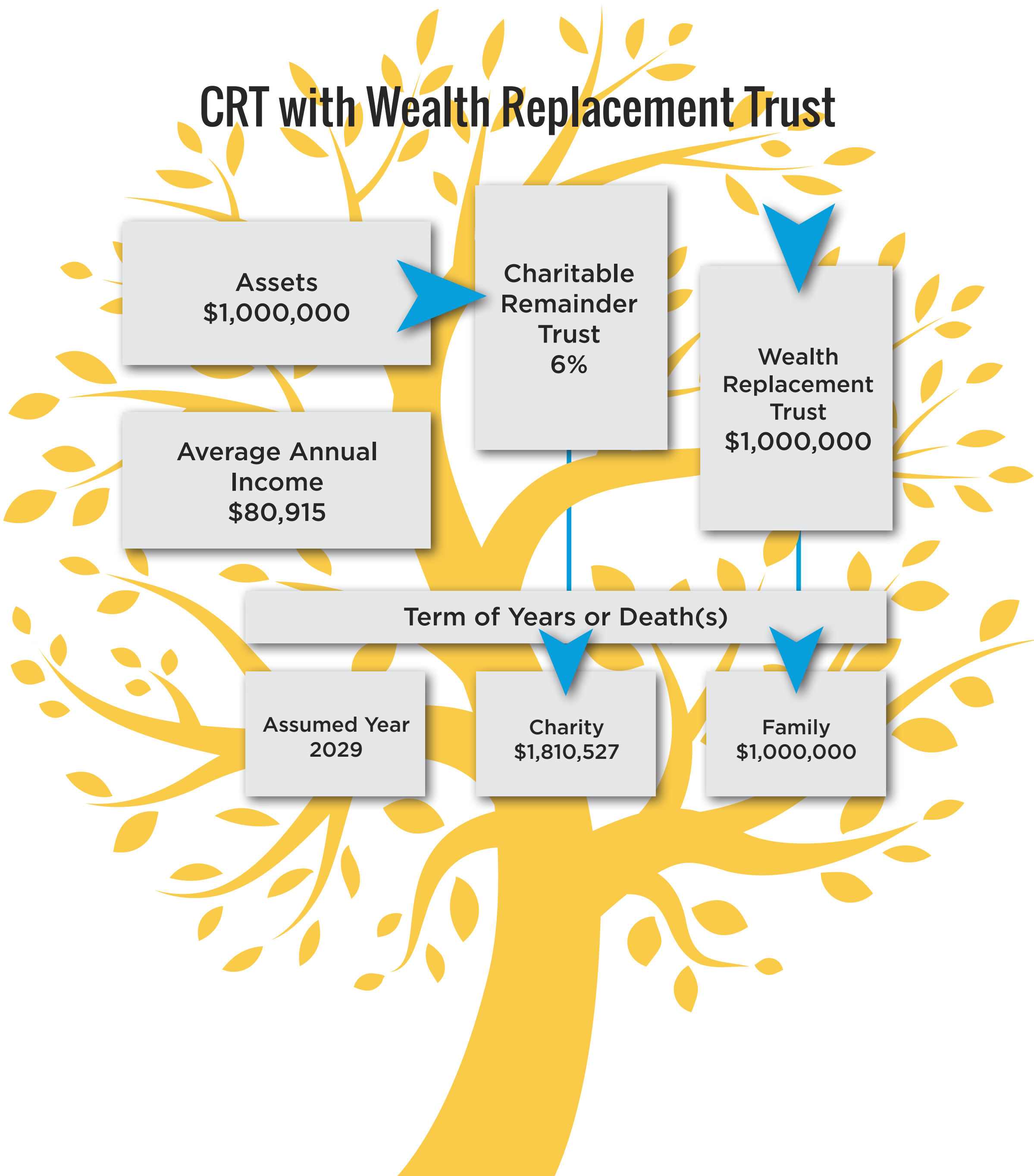
Bypassing Capital Gains Tax

Funding a CRT with appreciated property is the best way to realize its advantages. Currently, selling appreciated property results in a loss of about 30% to capital gains taxes. CRT's are tax exempt! They allow the transfer of appreciated property into the new entity without any tax implications. A further advantage is that there are no capital gain taxes when the property is later sold by the Trust. It is a win-win strategy to keep your asset value working for you and eventually conveyed to charities who keep your passions alive.

Receive an Income Tax Deduction

A donor who itemizes can get a sizeable charitable deduction on their income taxes in the year in which the CRT is funded. In most cases, the charitable deduction is based on the full fair market value of the property, not the donor's cost basis. * The amount of the charitable deduction is calculated using official Treasury Tables.

* This deduction is for the value of the future gift to charity.



Example: Highly Appreciated Real Estate

At age 65, Mr. and Mrs. Jordan want to retire and travel. They own a duplex of rental units and no longer wish to manage the property. Instead of selling their investment and living off its proceeds they are considering a CRT.

The Jordan's originally paid $200,000 for the duplex, which is now worth $1,000,000. $800,000 is a significant capital gain on their investment. Unfortunately, it is subject to capital gains tax. If sold for investment liquidity, they would face a tax of approximately $194,400.

The Jordan's have two choices:

1. Pay a tax of $194,400 and invest the balance of $805,600 at 6% interest.

$805,600 x 6.0% = $48,336 Annual Income

2. Establish a Capital Gains Bypass Trust (CRT) and have the entire $1,000,000 earning income for them at 6% interst.

$1,000,000 x 6% = $60,000 Annual Income

In this scenario, establishing a CRT that **bypasses capital gains** retains the $194,400 in principal and creates $11,664 additional income the first year. This income may increase in succeeding years as the portfolio grows through compounding. Growing the principal increases profitability; selling the investment would typically yield a flat income. The Capital Gains Bypass Trust is the prudent choice in asset management in the latter years of your life. It creates an income and an inheritance to society and your loved ones. Your legacy will leave a footprint in the sands of time.

The Capital Gains Bypass Trust is a wise and advantageous way to approach tax planning.


BENEFITS

Avoids Probate

The CRT completely bypasses the probate process and is therefore not subject to any administrative costs.

Hedges Against Inflation

The annual increase in the value of the CRT's assets produces additional income. If the CRT earns more than the payout percentage, the additional profits are added to the principal and the next year's annual income is increased based on the higher value of principal.

Provides Asset Management

You can relieve management or investment worries because the assets transferred to the CRT can be managed by experienced and competent professionals. If you wish, you can be involved in the investment decisions, and in retaining the management of the CRT.

Favorable Tax Treatment of Income

Depending on how the CRT's assets are invested--you may receive all or part of your income as capital gains, which can offset capital losses.

Liability Protection

Because the CRT's assets are removed from the estate, and the Trust is irrevocable once established, the assets are beyond the reach of creditors. This provides a degree of security to you and your loved ones.

Avoid Estate Tax

When a spouse or a single individual are the only beneficiaries of the CRT, the assets are not taxed as part of their estate

A Significant Gift to Society

Perhaps the biggest benefit of a CRT is the measure of philanthropic recognition and support you are bequeathing. You will have the assurance of knowing that your gift will support the ideals and programs of your favorite causes for years to come.

Flexible Income Payments

The creator of the CRT can choose to accumulate the `income in the tax-free environment of the Trust or distribute it to beneficiaries as income. This income can be adjusted annually.

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