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ENDOW

THE NEWSLETTER OF THE *Covenant College Foundation*

en•dow verb » 1. to provide with a permanent fund or source of income.

I was at a conference a few weeks ago and ended up leaving early because of the snowstorm expected in Chattanooga. Instead of flying home from Florida as originally planned, our Covenant contingent piled in a car and drove home, arriving safely before the snow shut everything down for a few days. While I was disappointed to miss the rest of the conference, something one of the speakers said really struck me, and I can't seem to shake it.

Romanita Hairston, CEO of the M.J. Murdock Charitable Trust, shared her perspective on stewardship and worship. She challenged us to see the whole of life, not just our finances, through the lens of stewardship, and to view each opportunity for stewardship as a means of worship. All of life and everything that God has blessed us with – our finances, our health, our time and talents, etc. – is for our good and for His glory. He owns it all, and yet He entrusts it all to us and asks us to be faithful stewards throughout our lives. I believe God is working on my heart in this area because I keep getting confronted with it; I touched on it in the last issue of *Endow*, and (without my prompting) John Mark Griggs speaks from this perspective in his excellent article in this issue.



Sometimes it's easier to be generous with money than with our time and talents, and even then, it's easy to give monetary gifts out of a sense of obligation, or even pride. Do I sometimes get just a little bit protective and skeptical when someone presents me with an opportunity to give financially? And how do I think about my daily schedule – as something

that “belongs to me” and that I must manage and protect? If I believe that it all belongs to me, then the answer is usually “yes.” But Romanita's words at the conference remind me that a true steward doesn't look at it like that. I need a change of perspective and a change of practice.

Instead of seeing the person who steps into my office and doesn't end up leaving until an hour later as an interruption to my day, I need to see this as an opportunity to give some of what God has given to me (in this case, time and attention). God has invitations and appointments for me today that I didn't plan on and that aren't on my calendar, and He asks me to view these unexpected opportunities as a means of worship to Him – taking everything He has blessed me with and offering it all back to Him.

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Charitable Remainder Trusts

A Powerful Tool for Financial Stewardship

AS A PLANNER by nature and also by profession, I enjoy the beginning of a new year. My mind inexorably moves from memories of the previous year to questions about what goals I should set for the future. As I look forward to 2025, one word keeps coming to mind and that is stewardship. In 1 Peter chapter 4, he tells the early church, “Each of you should use whatever gift you have received to serve others, as faithful stewards of God’s grace in its various forms.” I’m challenged by the words of C.S. Lewis in *Mere Christianity*, “Every faculty you have, your power of thinking or of moving your limbs from moment to moment, is given you by God. If you devoted every moment of your whole life exclusively to His service, you could not give Him anything that was not in a sense His own already.” God owns it all! What a simple yet profound statement.

I am a firm believer that all financial planning should be viewed through this lens of stewardship. Certainly, our generous Father provides us with resources for our own needs and enjoyment, but He also graciously gives us the opportunity to join Him in managing those resources for the growth of His Kingdom and to bless those around us. What a beautiful calling!

It is in light of this calling that we discuss Charitable Remainder Trusts (CRTs). There are many effective tools that we can use in this endeavor as faithful stewards, but CRT’s are one of the most versatile. CRTs offer a unique combination of tax savings, income generation, and charitable contribution, making them a powerful strategy for both estate planning and charitable giving.

What is a Charitable Remainder Trust (CRT)?

A CRT is an irrevocable trust that enables the donor to make a charitable contribution while retaining the ability to receive income from the trust’s assets for a defined period (typically the donor’s lifetime or a term certain of up to 20 years). Upon the end of this term, the remaining assets in the trust pass to the charity or charities named by the donor. The CRT has two important components:

› **Income Stream:** the donor and/or other designated beneficiaries such as the donor’s spouse or even the donor’s kids, receive fixed annual income from the trust. This annual income can either be a fixed percentage of the trust assets which vary from year to year with market fluctuations (that is the case for a Charitable Remainder Unitrust or CRUT) or a fixed dollar amount based on the original investment into the trust (a Charitable Remainder Annuity Trust or CRAT).

› **Charitable Remainder:** once the income period (lifetime of the trust beneficiaries or a period certain like 20 years) concludes, the remaining trust assets are donated to the designated charitable organizations. The main rule here is that the remainder donated to charity must be at least 10% of the initial net fair market value of all property originally placed into the trust.

Why CRTs are Strategic

One of my favorite features of a Charitable Remainder Trust is that it saves a significant amount of money on taxes, enabling the donor to grow what they can give to charity beyond what would normally be possible. This becomes

especially important when considering non-cash gifts using highly appreciated assets.

If you have accumulated significant wealth in the form of highly appreciated stock, real estate, or maybe even a low cost-basis business that is selling at a high valuation, converting that asset to an income stream in retirement will create a large tax burden.

However, if you gift all or even a portion of the asset to a CRT before selling it, you achieve two benefits:

- › #1 you will receive a partial charitable deduction immediately on your current tax return based on the value of the gift, and
- › #2 when the asset is sold and converted to cash inside the CRT, it will not result in any taxes on the sale. Investment gains inside the trust are not taxed because the trust is ultimately going to a charity. You WILL owe taxes on the income stream that you receive from the trust each year, but that tax can be spread out over many years rather than paying high taxes all at once if you sold the asset outside of the trust.

There are a plethora of other uses for these versatile estate planning tools. However, as with any strategy, there are downsides. CRTs are irrevocable, meaning you cannot reverse your gift once inside the trust. Furthermore, it is difficult to change the charity receiving the trust balance once you have created the CRT. One way to avoid this risk is to make a donor advised fund (DAF) the charity that

inherits the remainder of the trust. Once the DAF receives the assets upon termination of the trust, if you are still living, you can direct where those gifts go each year. If the trust terminates upon your death, then your heirs can direct where

the gifts from the DAF go each year in perpetuity. This can instill the values of financial stewardship in younger generations and create

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a lasting legacy of giving!

Charitable Remainder Trusts represent a highly flexible tool, offering a combination of charitable giving, income generation, and tax benefits. By utilizing a CRT, individuals can ensure they leave a legacy of stewardship while also enjoying significant tax savings, capital gains tax avoidance, and an income stream during their lifetime. However, it is important to consult with a financial advisor or estate planning attorney to ensure that a CRT aligns with your broader financial and giving goals.



John Mark Griggs is a Certified Financial Planner CFP® and a graduate of Covenant College '14. John Mark and his wife, Hannah, live in Chattanooga, TN, with their 6 sons. They are both deeply involved in the ministries of their church, Grace + Peace, a PCA church plant in Ooltewah, TN. John Mark is a partner in the private wealth advisory practice Riggs & Associates, a franchise of Ameriprise Financial Services, LLC.