Situation

- Client’s spouse isn't an income beneficiary of a CRT he established prior to their marriage
- If client predeceases his spouse, she loses the income stream

Solution

- Rollover to a new CRT with spouse included as income beneficiary

Results

- Client’s spouse is provided for should he predecease her
- Generated $670,000 tax deduction for client

To watch our interview with Marty and Carole, visit www.SterlingFoundations.com/Hambel-Interview

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ROLLOVER OF CRT INCOME INTEREST

Case Study: Spouse Isn’t an Income Beneficiary

In the 1970s, Marty Hambel and four other electrical engineers founded Tellabs Inc., a company that would eventually grow to be a $3 billion international giant. Prior to his retirement, Marty established a charitable remainder unitrust (CRUT) funded by what had become highly-appreciated Tellabs stock, and named himself and his wife, Grace, as the income beneficiaries.

Twenty years later, Grace passed away from cancer. Grief-stricken, Marty tried his best to move on. He sought the comfort of Carole, a long-time friend he met at church. Over time, their friendship blossomed, and they eventually married.

Marty felt reborn after his marriage to Carole, but since Carole was significantly younger than him, he was very concerned about what would happen if he predeceased her. The CRUT was providing a significant portion of their income, and Marty knew that Carole would suffer a dramatic decrease in income when the CRUT was distributed to charity upon his death.

Marty’s financial advisor recommended that he contact Sterling. After discussing his options with Sterling, it was clear to Marty that a rollover was the ideal solution to his problem.

The rollover created a new CRT - funded with Marty’s existing CRUT income interest - with both Marty and Carole as the lifetime income beneficiaries. Now, Carole will continue to benefit from the CRT’s income stream if Marty predeceases her. Marty was also able to structure the new CRT with more favorable payout terms than his existing CRUT, which was an added bonus.

By using the rollover strategy, Marty was able to increase his CRT income by $500,000, reduce his overall tax rate on the CRT income, create a future income stream of $2,300,000 for Carole, and garner a $670,000 tax deduction.[1]

[1] To see our full review of Marty’s rollover and the related cash flow projections, e-mail CRT@SterlingFoundations.com with “Hambel Rollover Review” as the subject.