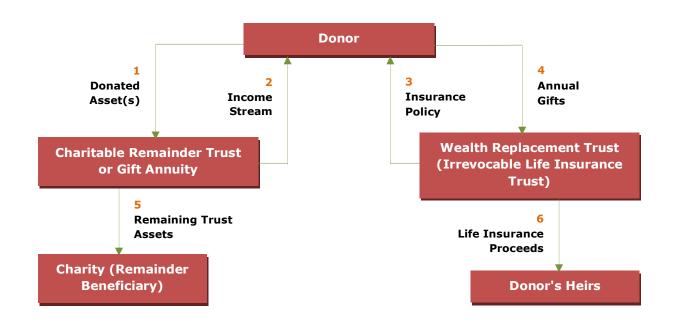
Wealth Replacement Trust in Action

How Does a Wealth Replacement Trust Work?



- The donor transfers the donated asset(s) to an irrevocable charitable remainder trust or gift annuity and receives a current income tax deduction based on the value of the charity's remainder interest.
- 2. The donor receives an income stream for life or a term not to exceed 20 years.
- The donor establishes an irrevocable life insurance trust, which purchases insurance on the donor's life.
- **4.** The donor uses the income stream, together with the charitable deduction income tax savings, to make **annual gifts** to the irrevocable life insurance trust, which then pays the life insurance premiums.
- 5. At the donor's death, the remaining trust assets revert to the **charity** for its use.
- The donor's heirs receive the life insurance proceeds, free of estate tax.