Reducing a philanthropic couple's taxes

The situation
The client and his wife are active philanthropists, and as a part of their estate plan, they established two charitable remainder trusts, each of which owned 49% of a family limited partnership, with the family trust owning the remaining 2%. The client wished to reduce his non-US equity exposure by selling a percentage of his international stocks in his two CRTs. The stocks were below their cost basis.

The strategy
Typically the client could sell the stock and generate a tax loss to be used against gains in the current year or later years. However, because the stocks were in CRTs, he would not gain the tax benefit of the loss. We consulted with his CPA and suggested that he hold the stocks until the end of the year, and at that time use the stocks for the annual required distribution. Once the stocks were in the client's family trust, they could be sold and the loss realized.

Our continuing relationship
At year-end, we reviewed the client's tax situation and analyzed whether he should distribute the non-US stocks from his CRTs. International equities had increased, and as a result, his non-US stocks were no longer trading at a loss. Rather than sell or distribute them, we recommended that he sell other securities to generate cash to satisfy the distribution. The decision to not sell the international stocks earlier in the year for tax reasons saved the client over $250,000.