



CHARITABLE LEAD TRUST

For many investors, legacy preservation, wealth transfer and philanthropic giving are among the key objectives of their long-term financial plans. If an investor is seeking to provide a consistent annual donation to a specific charitable organization for a period of time and help minimize estate taxes for their heirs; a Charitable Lead Trust (CLT) can help support these goals. While the types and structures of CLTs vary, they are often implemented in support of estate planning, tax planning and philanthropic giving strategies.

A **Charitable Lead Trust (CLT)** is an irrevocable trust that can provide a regular income stream to the charity or charities of the donor's choice over a fixed term, with the remaining assets then distributed to specified beneficiaries or the grantor.

BENEFITS:

- Helps support regular annual charitable giving
- Supports asset preservation for wealth transfer
- Offers a potential income tax deduction and/or capital gains tax reduction for grantor
- Can help minimize gift and estate taxes for heirs

IMPORTANT CONSIDERATIONS

Several key factors impact and influence the structure and outcomes of CLTs, including:

- Term of the trust/grantor life expectancy
- Annual capital appreciation

- Annual trust income rate or payment
- Income tax/income tax deductions

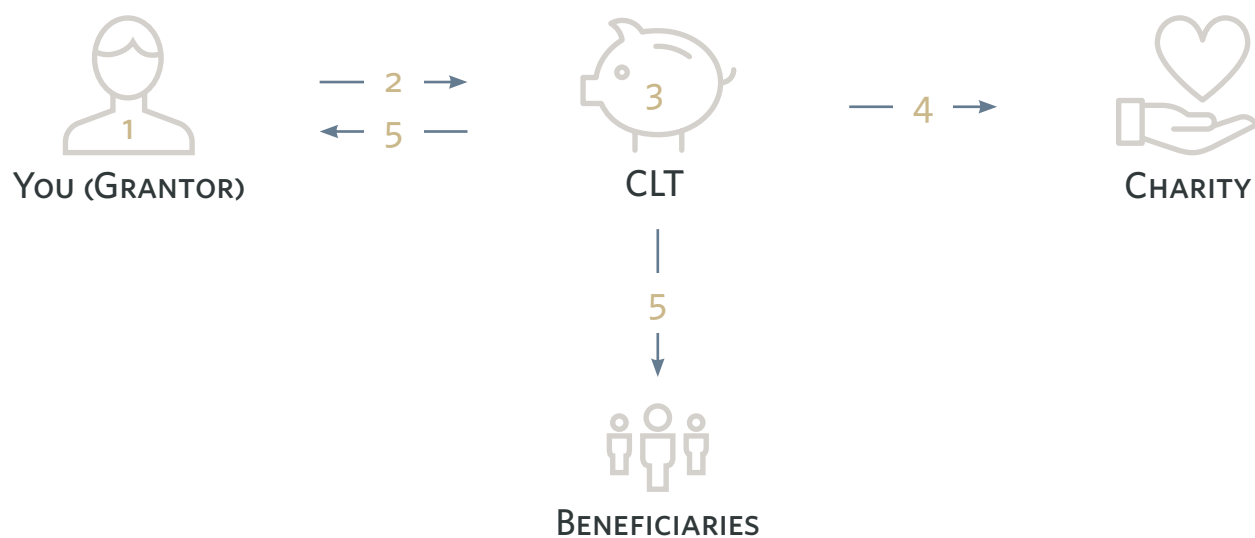
EXAMPLE:

Joe has sufficient retirement income to cover his needs and \$1,000,000 worth of assets he would like his children to inherit. He expects those assets to appreciate significantly over the next 15 years, possibly surpassing \$4,000,000 and being subject to estate tax¹ (when combined with his other assets). He believes that gifting those assets now may greatly reduce any estate tax¹ implications. Joe decides to set up a Charitable Lead Trust in an effort to save even more taxes. He establishes and funds a \$1,000,000 CLT. At a 5.0% payout rate, the CLT provides an annual \$50,000 payment to Joe's designated charity for the next 15 years, and then gets distributed to his children. Because of the annual payments to the charity, Joe's taxable gift (that gets applied to his lifetime gift/estate exemption) to his children is discounted and would be far less than the \$1,000,000 placed in the trust. As an added benefit, any of the appreciation of the trust assets beyond the \$50,000 annual charitable payout is retained by his heirs.

As stated above, there are multiple types and structures available for Charitable Lead Trusts. Clients should consult their financial, tax and legal advisors to determine what type might be appropriate for their particular situation and goals.

¹Subject to Federal Estate Tax rules that may be in place at inception of the trust or the death of the grantor

HOW DOES IT WORK?



1. Determine your financial and/or estate goals.
2. Structure, establish and make a contribution to a Charitable Lead Trust. Donor may then receive a tax deduction for the contribution based on an IRS formula.
3. Select a qualified charity or multiple charities that you would like to benefit from this strategy.
4. Annual payments are made to the charity or charities from the trust.
5. Trust term ends; remaining assets are allocated to beneficiaries or to original grantor.



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