

## CHARITABLE GIVING

## Charitable Lead Trust (CLT)

**CONCEPT APPLIED:**

The charitable lead trust allows donors to make a “temporary gift” of income to charity while passing property ownership to individual beneficiaries. Lead trusts are used to reduce transfer taxes and ultimately pass ownership to family members.

**HOW IT WORKS:**

The grantor establishes the trust by transferring assets into the CLT. The trust pays income to a charity for a period of years, then the remaining assets pass to individual beneficiaries. The value of the remainder interest is calculated at the time of the gift.

In a **grantor lead trust**, the grantor: (1) may take an itemized deduction for the present value of the charitable payments (subject to limitations) and (2) must include all trust income on his/her income tax return.

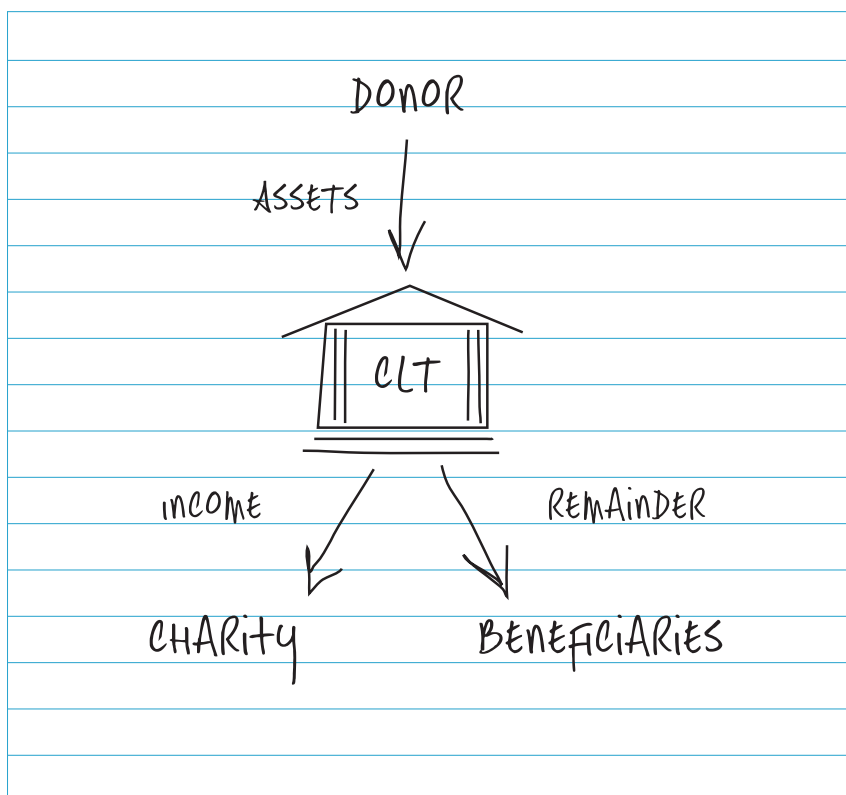
In a **non-grantor lead trust**, an estate or gift tax charitable deduction is available for the charitable gift portion of the “split-interest” gift. Transfer tax savings are realized on any appreciation of assets in the trust.

**WHY IS IT USEFUL?**

The charitable lead trust can be useful in reducing overall taxes while passing assets on to family members or other non-charitable beneficiaries.

**50 WORDS OR LESS**

A CLT is an irrevocable trust that makes payments to a qualified charity during the trust term, then passes the remainder interest to named beneficiaries (perhaps including the grantor). The charitable payments are either a fixed dollar amount (annuity trust) or a fixed percentage of annual trust assets (unitrust).



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