

AT A GLANCE:

Charitable Lead Trust

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 value of the remainder interest is calculated at this time.

In a **grantor lead trust**, the grantor: (1) may take an itemized deduction for the present value of the charitable payments 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 is 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).

