



## ▶ 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 income tax charitable 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. Capital gain savings are realized on any appreciation of assets in the trust.

### 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).

### 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.

