



WHAT IS A CHARITABLE LEAD TRUST?

A Charitable Lead Trust (CLT) is a planned giving vehicle that may provide you with immediate tax benefits. It is structured to support your favorite charities for a set period of time or for the duration of a person's life through income generated by the assets you contribute. When the trust ends, remaining assets within the trust are transferred to the beneficiaries specified in the trust, usually family members. The value of the gift to the noncharitable beneficiaries for transfer-tax purposes is the value of the property transferred to the CLT minus the value of payments to the charities.

WHO SHOULD CONSIDER A CHARITABLE LEAD TRUST?

Donors with assets that have potential for high appreciation in the future. It is ideal for donors who wish to minimize estate taxes, while continuing to support the causes they care about most through the income generated by the trust.

WHAT ARE THE BENEFITS OF A CHARITABLE LEAD TRUST?

- You can create income for the causes you would like to support
- A CLT can be structured to reduce/eliminate estate taxes when the assets are transferred to your beneficiaries
- You may transfer cash, real estate, securities and other appreciated assets to the trust
- CCF prepares Charitable Lead Trust gift proposals and estimated deduction calculations for you and your advisors to review
- Opportunity to name the fund after you or in honor of a family member, a friend or an organization (e.g., the Melanie Pappas Foundation)

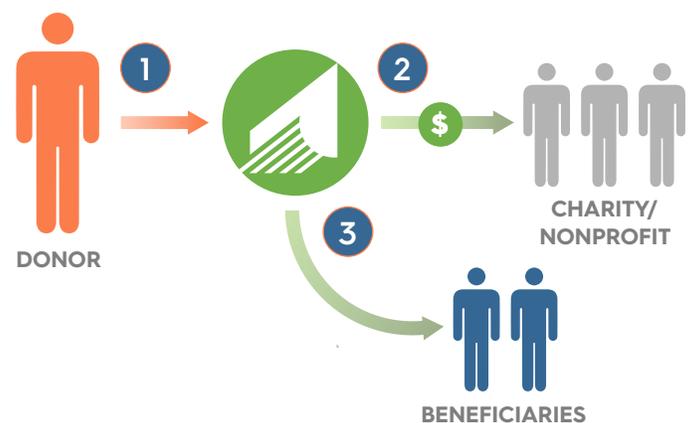
at a glance

Charitable Lead Trust

- A planned giving vehicle that may provide you with immediate tax benefits and supports favorite charities for a period of time
- Minimizes estate taxes when assets are transferred to beneficiaries
- Best suited for gifts of more than \$100,000

HOW DOES A CHARITABLE LEAD TRUST WORK?

- 1 Donor establishes a trust, and CCF serves as trustee of transferred assets.
- 2 The charities named in the trust receive regular payments over a specified period of time.
- 3 At the end of the set period, the remaining assets are distributed to the beneficiaries named in the trust.



WHAT ARE THE TAX ADVANTAGES OF A CHARITABLE LEAD TRUST?

- Reduces taxes on your overall estate, if a testamentary gift
- Immediate income tax deduction based on the present value of the annuity payments, if structured as a “grantor trust”
- Any appreciation within the trust transferred free of estate tax to your beneficiaries
- Reduces estate taxes
- Particularly effective for gifts to grandchildren

CONSIDERATIONS

- Children/grandchildren or other beneficiaries will not receive the benefit of the transferred asset (asset given to the CLT) until the CLT term ends
- If the CLT is structured as a “grantor trust,” the grantor will have to pay income tax on all the income that the CLT earns, even though the grantor will not receive any of the income (but grantor would be entitled to an income tax deduction at the time of the gift)
- The IRS can challenge the underlying value of, and the discount applicable to, the assets transferred to the CLT
- To maximize the benefits to the designated beneficiaries, the assets transferred to the CLT should generate cash flow in an amount at least equal to the amount that must be paid to charity

WHAT ARE THE MINIMUMS AND FEES?

A Charitable Lead Trust may be opened with \$100,000. There is a trustee fee of 0.5 percent of assets per year (assessed quarterly), plus fees charged by the third-party administrator for investment management and trust administration.

THE LEGACY SOCIETY

Donors may designate a Charitable Lead Trust to benefit CCF in a will or trust. CCF honors such donors with exclusive benefits such as:

- **Members-only events on current issues and trends**
- **Recognition in CCF’s annual report and website and at events**
- **Private meetings with professional advisors and distinguished members from CCF’s Board of Directors**

To establish a **Charitable Lead Trust**, contact Vice President of Development & Donor Relations Teresa Mosqueda at tmosqueda@calfund.org or (213) 452-6298.

IMPORTANT LEGAL DISCLOSURE

The information provided is general and educational in nature. It is not intended to be, and should not be construed as, legal or tax advice.

The California Community Foundation does not provide legal or tax advice. You should consult your tax advisor to properly determine the tax consequences of making a charitable gift to the California Community Foundation.

Contributions to the California Community Foundation represent irrevocable gifts subject to the legal and fiduciary control of the foundation’s board of directors.

© 2018 California Community Foundation

SOLCLT0818