OVERVIEW

A charitable lead trust (CLT) is designed to transfer assets to the next generation while significantly reducing gift and/or estate taxes. During the term of the trust, annual payments are made to a fund at the Foundation. The longer your heirs wait to receive the trust assets and the higher the payout to your fund, the greater your deduction from gift taxes. If desired, the term of the trust and the payout can be set so that all gift taxes are avoided.

To enjoy the benefits of this type of charitable arrangement, you need to be willing to irrevocably transfer assets to the trustee (the Foundation can be the trustee) of your lead trust for the eventual benefit of your heirs. You get to select how long the trust will last and the annual amount the trust will pay to the fund at the Foundation.

Using a lead trust to fund your annual charitable giving and pass assets on to the next generation has several advantages. Since the gift to your heirs is complete when the trust is funded, any future appreciation of assets in the trust passes to your heirs without being subject to additional gift taxes.

For certain trusts, the donor’s estate will be eligible for an estate tax charitable deduction for the value of the interest paid to the charity. This may not only reduce the amount of tax your estate has to pay upon your death, but it may also preserve wealth for your heirs.