

# Keys to Effective Charitable Giving

## CHARITABLE LEAD TRUST

*The Charitable Lead Trust (CLT) is a powerful tax-planning and wealth-transfer tool, one which donors and their professional advisors should not overlook. It provides donors with several opportunities to leverage and transfer unlimited amounts of wealth free of gift and estate taxes, control the timing over their heirs' inheritance and redirect tax dollars from the I.R.S. to ministry and charities they care about, creating a personal lasting legacy.*

Although the Charitable Remainder Trust (CRT) has often been the planning tool of choice, the "other" charitable trust—the non-grantor charitable lead trust (CLT)—is gaining the attention of planners and donors. One of the reasons for the growing interest has been that the current low Applicable Federal Rate (AFR) increases the tax leveraging impact of the CLT, making it even more attractive.

The extraordinary growth of the net worth of Americans over the past 60 years has created a challenge for owners: How to transfer net worth to future generations in a protective way without tax depletion. The Charitable Lead Trust is a tool that provides a means for lowering and/or completely eliminating estate taxes and is a worthy alternative to explore.

### The Design

The CLT document is drafted and then, either during the lifetime of the donor or upon his or her death, assets are placed into the trust. For a temporary period of time, one or more charitable organizations are given the right



to receive income from the trust. The donor, however, reserves the right to direct who will ultimately receive the remainder interest of the principal at the end of the pre-determined trust period (term). Typically, the recipient(s) would be the heir(s). Depending upon the terms and the payout rates of the CLT, an unlimited amount of wealth can be passed to heirs free of gift and estate taxes.

### A Case Illustration

Consider a married couple with a \$35 million estate. If both were to pass away in 2020, the survivor of the estate would still face a tax of about \$4.5 million dollars. If the couple were to employ a testamentary charitable lead trust upon the death of the survivor, they could eliminate the estate tax and shift more to heirs and charity.

Depending upon the payout rate and the earnings of the trust, when the survivor passes away, the heirs could receive \$35,000,000. They could also create a charitable legacy of \$5,900,000 for their favorite ministry.

## Planning Strategies\*

An Annuity or Unitrust Payout? Determined by type of heir.

- **Living or Testamentary CLT?**  
Depends on whether the trust is funded during life or at death.
- **Carry-Over vs. Step-Up in Basis?**  
Depends on whether the trust is funded during life or at death.
- **Timing of Gift and Distribution?**  
Whether the distribution is scheduled or for a certain age and is contingent upon needs of heirs.

\*Because of the complexity of these strategies and techniques, it is essential to consult your tax advisor to understand their applicability to your situation.

## Help That Can Benefit You

Jesus Film Project®, in partnership with Cru® Foundation, previously known as The Great Commission Foundation of Campus Crusade for Christ, Inc®, provides a full array of gift and estate-planning services without obligation. A team of experienced professionals can help you think through your best options, then come alongside your advisor(s) and help ensure your plan achieves your family, tax avoidance and charitable goals.

Please contact us today at 800-449-5454 or email: [info@crufoundation.org](mailto:info@crufoundation.org) to start the process today.

	Max Tax Plan	Tax Wise Plan
<b>Total Estate Value:</b>	\$35,000,000	\$35,000,000
<b>Uncle Sam Estate Tax:</b>	\$4,500,000	\$0
<b>Heirs:</b>	\$30,500,000	\$35,000,000
<b>Charity:</b>	\$0	\$5,900,000
<b>Family and Charity:</b>	\$30,500,000	\$40,900,000

**Based upon 2020 Federal Estate Tax Laws**

## The Objective

The basic formula for a charitable lead trust is “Corpus – Charitable Deduction = Taxable Gift,” and the goal is to achieve a zero gift or estate tax. There are several ways to increase the charitable deduction to 100% of the corpus so there is no tax. First, increase the payout rate to charity. Second, increase the length of the trust term. Third, select the lowest AFR (discount) rate used to calculate the charitable deduction. Fourth, leverage either the donor’s lifetime gift tax exemption or the estate tax exemption. It is essential to consult your tax advisor to determine how best to utilize these options.

## Additional Techniques\*

- **Multi-layered CLT:**  
Several CLTs can be staggered and distributions scheduled for specific heirs.
- **Double Discount CLT:**  
A family limited partnership can be combined with a CLT to provide multiple benefits.
- **Tandem Trusts:**  
A CLT can be combined with a CRT to leverage the benefits of both.

*The information above is for general education and not professional tax or legal advice. Please contact a professional tax advisor about your specific situation. Reprinted with permission from Michael Occhipinti formerly with the Saddleback Memorial Foundation.*