

CHARITABLE LEAD TRUSTS

SELF-REALIZATION FELLOWSHIP
PLANNED GIVING PROGRAM



Self-Realization Fellowship

FOUNDED 1920

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CHARITABLE LEAD TRUSTS

If you have a sizable estate, a charitable lead trust may be a charitable gift technique that is worth your consideration as it offers unique estate planning advantages not offered by other charitable techniques. In appropriate circumstances, the charitable lead trust allows you to benefit Self-Realization Fellowship (SRF) without depriving family members of the ultimate ownership of your accumulated wealth.

Similar to a charitable remainder trust, you establish a lead trust by transferring cash, securities, or income-producing property to the trust. However, the trust will provide annual income to SRF and not to you or other beneficiaries. At the end of your lifetime or a specified number of years, the trust will return the principal plus any appreciation to you or to your beneficiaries, typically your children or grandchildren, at a substantially reduced tax cost to you.

BENEFITS OF CHARITABLE LEAD TRUST

A charitable lead trust offers a number of attractive benefits:

- 🐾 You can provide a major gift support for Self-Realization Fellowship while also providing for your family.
- 🐾 If you earn a high income, a grantor charitable lead trust can provide a significant up-front federal charitable income tax deduction.
- 🐾 If you wish to pass on highly valued assets to children or grandchildren, a non-grantor charitable lead trust can provide significant federal gift and estate tax deductions.
- 🐾 There is no federal estate or gift tax on the appreciation in the value of the assets held in the trust during the term of the trust.

APPROPRIATE ASSETS FOR FUNDING

You can use a variety of assets to fund a charitable lead trust, including cash, income-producing real estate, publicly traded stocks, or a combination of these assets.

TYPES OF CHARITABLE LEAD TRUSTS

There are generally two types of charitable lead trusts – a grantor trust, and a non-grantor trust. Each can be in the form of a unitrust or an annuity trust.

GRANTOR TRUST

In a grantor trust, the trust assets will revert to you (as grantor), rather than your heirs, at the end of the trust term. It provides an income tax deduction to you in the year you create the trust equal to the present value of the annual trust payments to SRF. However, you will have to report any taxable income the trust earns during the term of the trust, even the amount that is paid to SRF.

The grantor lead trust may be appropriate for you if you wish to accelerate future deductions into the current year.

NON-GRANTOR TRUST

In a non-grantor lead trust, the trust assets will revert to your beneficiaries at the end of the trust term. You can create a non-grantor lead trust during your lifetime or as a testamentary trust under your will. While a non-grantor trust will not provide you with an income tax deduction at the time of its creation, it offers you several tax benefits not offered by the grantor trust.

First, if you create the trust during your lifetime, you will receive a federal charitable gift tax deduction for the present value of the annual trust payments to SRF. If you establish the trust at your death, your estate is entitled to a federal charitable estate tax deduction for the present value of the annual trust payments to SRF. You can use the federal gift or estate tax deduction to reduce your federal gift or estate tax liability on substantial transfers to your children or grandchildren.

Second, the income earned by the trust is not taxable to you; it is taxable to the lead trust at trust rates. The trust in turn receives an income tax deduction for the income distributions paid to SRF.

A third benefit offered by the lead trust is that any appreciation in the assets during the term of the trust is not subject to additional federal gift or estate taxation. As a result, you may be able to transfer to your heirs a larger estate after taxes than would otherwise be possible.

UNITRUST OR ANNUITY LEAD TRUST

The grantor or non-grantor lead trust may be a charitable lead unitrust trust or and a charitable lead annuity trust.

The unitrust pays SRF a variable income, based on a fixed percentage of the value of the trust assets as determined on a yearly basis. When you establish the charitable lead unitrust, you decide what that percentage will be and for how long the trust will exist. The income from the trust can increase as the trust principal grows over time. You may make additional contributions to a unitrust at any time.

The annuity trust pays SRF a fixed annual income each year for the term of the trust. That amount is determined at the time you establish the trust, and it does not change regardless of the value of the assets in the trust from year to year. While you may not contribute additional sums to an annuity trust, you can set up multiple trusts to achieve the same purpose.

HOW TO ESTABLISH AND ADMINISTER A CHARITABLE LEAD TRUST

The steps involved in establishing and administering a charitable lead trust include:

1. Having legal counsel prepare the charitable lead trust document for signature to establish the trust. The trust will need to:

- 🐾 Name the trustee – this can be you or a bank with trust powers.
 - 🐾 Name SRF as the income beneficiary.
 - 🐾 Specify percentage of trust assets (for a unitrust) or a fixed dollar amount (for an annuity trust) to be paid to SRF.
 - 🐾 Specify length of payment – for life or up to as many years as you wish.
 - 🐾 Name the remainder beneficiaries – your children or grandchildren or others.
2. Funding the trust by transferring assets to the trust.
 3. Distributing income to SRF on an annual basis.
 4. At the end of the trust term, distributing the balance of trust assets to remainder beneficiaries.

MINIMUMS

A charitable lead trust is generally found most appropriate for high net worth individuals who wish to fund the trust with assets valued at \$500,000 or more.

FOR MORE INFORMATION, PLEASE CONTACT:

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