

How Can I Benefit from a Charitable Lead Trust?

Charitable lead trusts are designed for people who would like to benefit a charity now rather than later. You may have heard about some charitable trust strategies before but decided against them because you wanted to make an immediate gift to charity.

With a charitable lead trust, your gift can have an immediate impact, and you'll be entitled to other benefits as well. These trusts will enable you to take advantage of tax benefits and still make a significant gift.

If you are accustomed to making outright contributions to your favorite charity, or if you typically sell an investment and give all or a portion of the money to charity, you may be attracted to the special advantages of using a charitable trust.

Avoiding capital gains taxes on an appreciated asset is a very appealing benefit for investors. It is also a way for charitable organizations to receive a much larger donation because they are not required to pay tax on capital gains. Once the trust is established and the assets are transferred, the trustee can then sell the assets and reinvest the funds.

You also get an immediate charitable income tax deduction based on the "life expectancy" of your gift. With a charitable lead trust, you are giving the charity the income from the asset and not the asset itself. Your deduction will be based on the rate of return the charity can expect to receive, the duration of the trust, and the IRS tables used in the calculation. Your write-off will be limited to a portion of adjusted gross income but can be carried forward to future years.

With a charitable lead trust, the income from the reinvested assets will then go to the charity. The charity will receive distributions for the duration of the trust. You may specify a set number of years or the life of you or someone else. At the end of this period, the remaining assets are paid to you or your beneficiaries, for example.

A charitable lead trust may also help reduce family squabbles over inheritance. If you were to actually gift the asset to the charity upon your death, your heirs may feel somewhat cheated. By giving income

to the charity during your lifetime and having the remaining assets paid to your beneficiaries upon your death, you may avoid much of this potential controversy.

If you are interested in increasing your gift to a charity and your tax benefits during your lifetime, a charitable lead trust may enable you to accomplish your goals.

By taking the time to plan your charitable gifts, you may be able to take advantage of some special tax benefits and make charitable giving a real win-win situation.

While trusts offer numerous advantages, they incur upfront costs and ongoing administrative fees. The use of trusts involves a complex web of tax rules and regulations. You might consider enlisting the counsel of an experienced estate planning professional and your legal and tax advisors before implementing such strategies.

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