



## OLD NORTH STATE TRUST, LLC

### CHARITY or FAMILY? HOW ABOUT BOTH!

Many are familiar with the concepts of how a **charitable remainder trust (CRT)** may benefit you, your estate plan and the charities of your choice. That is, with a CRT, you can create an income stream for yourself now and at your death, the trust assets are paid to your charitable beneficiary. Such an arrangement offers potential income and estate tax benefits.

But what if you wish to support and honor your favorite charity during your life with a meaningful ongoing contribution. Another charitable trust less well known is the **charitable lead trust (CLT)**. The CLT offers you the opportunity to benefit your favorite charitable cause *now* and provide assets for your family beneficiaries in future years. Basically, a charitable lead trust is the reverse of a charitable remainder trust. A CLT is an irrevocable trust that provides a current fixed dollar amount or a percentage of trust assets paid to your IRS qualified charity (ies) for the term of your life or a number of stated years. The payments from the trust may be made in annual, quarterly, or monthly installments to your designated charitable beneficiary. At the end of the trust term, the remaining trust assets are distributed to your family or to a trust for the benefit of your family.

The tax benefits of a CLT may vary and should be discussed thoroughly with your estate planning attorney and professional tax advisor before proceeding. A CLT can be an effective asset transfer strategy from you to your family at a significantly reduced tax liability since estate taxes on the value of the charitable gift are reduced or eliminated. Depending on the trust construction, it may also be possible to eliminate capital gains tax for gifts of long term appreciated securities through this trust method. For gift tax purposes, only the present value of the remainder interest to your family member(s) is subject to tax, which can be substantial if looking 15 to 20 years down the road. For example, your contribution of \$500,000 to establish a charitable lead annuity trust with a 6% fixed payout amount to your chosen charity for a 20 year term would provide a tax exemption amount of \$490,542. The 6% payout amount would produce an annual contribution to your charity of \$30,000 each year. Any appreciation in the actual trust value over the term of the trust would pass to your family free of estate taxes.

If you would like to learn more about the benefits of irrevocable charitable trusts and how they may assist your wealth planning needs, please contact any of our trust financial advisors. We enjoy assisting our philanthropic-minded clients.

*Old North State Trust, LLC (ONST) periodically produces publications as a service to clients and friends. The information contained in these publications is intended to provide general information about issues related to trust, investment and estate related topics. Readers should be aware that the facts may vary depending upon individual circumstances. The information contained in these publications is intended solely for informational purposes, is proprietary to ONST and is not guaranteed to be accurate, complete or timely.*