

Charitable Lead Trust



This product is for people who:

- Want to combine annual giving with a tax-efficient transfer of complex assets to heirs in a way that reduces future gift and estate taxes.
- Have been very generous and want to continue their charitable giving, but may not benefit from additional income tax deductions.

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Overview

A charitable lead trust (CLT) is designed to transfer assets to the next generation at greatly reduced gift taxes. During the term of the trust, annual payments are made to a fund at the Vermont Community 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 Vermont Community 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 Community 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.

You get no charitable deduction from income taxes when you create such a trust, but neither are you taxed on the income or capital gains realized by the trust.

For generous individuals who already have charitable deductions they are carrying forward from year to year, a lead trust provides the opportunity to make additional gifts without affecting current charitable deduction amounts.

How a charitable lead trust works

- You contact the Vermont Community Foundation to discuss your philanthropic interests.
- We work with you and your attorney to draw up a qualified trust document.
- You transfer assets to the trustee of your CLT. In many cases, the Vermont Community Foundation is the trustee.
- The trustee invests the assets and makes the required annual payout to the fund at the Vermont Community Foundation.
- At the end of the trust term, the trustee distributes the assets remaining in the trust to your heirs.