



## Charitable Lead Trust

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**The design of a Charitable Lead Trust is also quite flexible, leading to a wide array of options for donors.**

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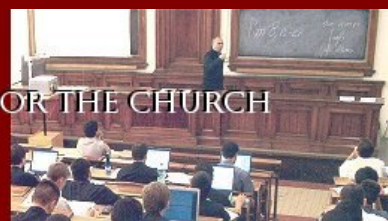
### **What is a Charitable Lead Trust?**

- 1) Assets valued are contributed irrevocably to a trust. The donor chooses the term of the trust and other specifications.
- 2) A fixed percentage of either the trust's initial or annually determined value is paid to the Foundation.
- 3) When the trust term ends, the remaining assets, including any appreciation in the assets, returns to either the donor or (more often) to designated heirs.

### **Why consider a Charitable Lead Trust for your heirs?**

- Contribute a major gift that you otherwise might not afford – without disinheriting your heirs.
- Generate a stream of funds that can support the Foundation's current needs for many years.
- Gift taxes are substantially reduced – or even eliminated – on the future gift to your heirs.
- Any appreciation in the value of the trust assets, after the payments to charity are made, will pass to heirs free of estate tax (generation-skipping tax may apply).
- The after-tax estate passed to heirs may actually exceed the net estate if you had passed the assets outright and subject to transfer taxes.
- Income earned from trust assets is not included in your individual taxable income.
- Contributions of closely held stock may allow you to retain family control of a business.
- Assets can pass into a family dynasty trust to benefit multiple generations.

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### Why consider a Charitable Lead Trust for you or your business?

- Earn a large income tax charitable deduction.
- Regular charitable distributions can offset income and capital gain taxes.
- Regain control of assets after a period of time.
- Fund the Trust with an asset that generates income but is attractive primarily for its long-range potential for increased value.
- Fund the Trust with tax-free municipal bonds to maximize the net tax advantages.

**Ask about a “Super” Lead Trust arrangement that offers some donors and their heirs the combined income and estate tax benefits of both kinds of Charitable Lead Trusts.**



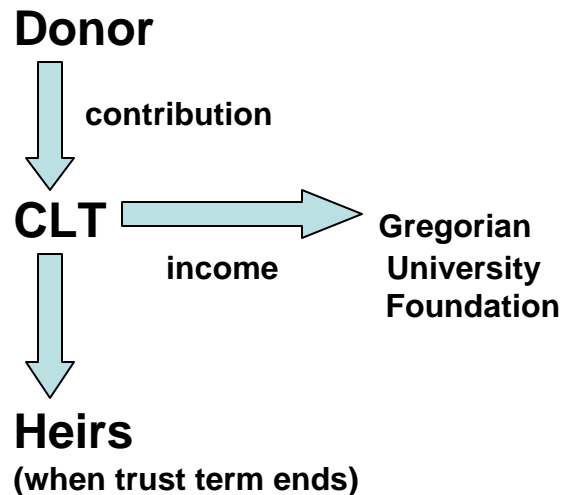
#### Opportunity:

- Donor places \$3 million in closely held stock in a Charitable Lead Trust.
- The Trust will pay 7% of the contribution, or \$210,000, annually to the Foundation. The donor’s two children will receive the Lead Trust’s assets in 20 years.

#### Result:

- Children receive over \$4.3 million estate-tax free from the Lead Trust (8% annual investment return assumed).
- Gift tax deduction is \$2,755,500. Taxable gift to children is only \$244,500 minus available exclusions.

*The results in this example may vary based on time of gift, tax rates, and a number of other factors.*



### How can the Gregorian University Foundation be of assistance?

Charitable planning is a highly specialized skill. We have staff specialists and resources available to support both your investigation and implementation of gift planning techniques. Our services are professional, confidential, collaborative and provided without cost or obligation. We encourage you to call on us to assist you, your family and advisors in exploring charitable opportunities in estate and financial planning.

## Gregorian University Foundation

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