

# Charitable Lead Trust

As you consider charitable giving, you most likely envision your gift fulfilling a range of personal goals. Your immediate desire may be to make a difference in the lives of others, but you may also be concerned about preserving assets in your estate to pass on to your own family and heirs. Pursuing potential tax benefits could also factor into your giving strategy. A Charitable Lead Trust (CLT) can help maximize your charitable giving by providing annual distributions to the causes you care about while providing a tax-advantaged way to transfer wealth to the next generation.

## GIVE BACK TODAY AND LEAVE A LEGACY FOR TOMORROW



<sup>1</sup> Income tax deduction for the amount that is considered a charitable gift.

<sup>2</sup> Generation-skipping transfer (GST) tax may apply, depending on the type of charitable lead trust created.

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Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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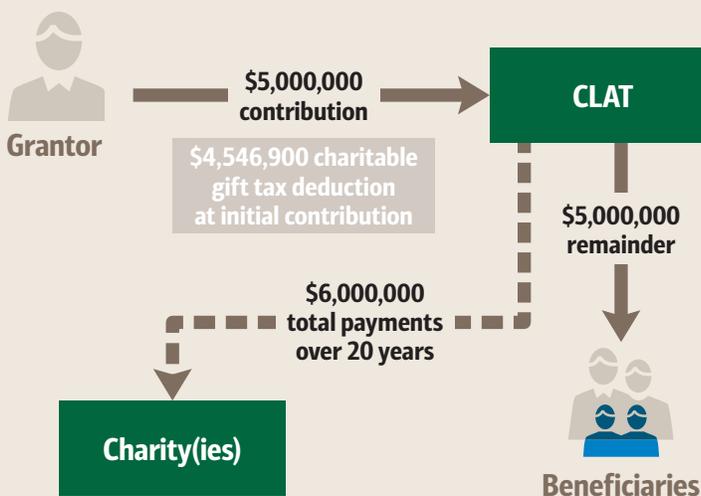
**TARGET-SPECIFIC FINANCIAL GOALS**

- **Get an immediate tax deduction** — You may receive an up-front charitable income and gift tax deduction for the amount that is considered a charitable gift.
- **Minimize capital gains tax** — After contribution, your gifted property or stock can be sold by the trustee. While capital gains tax is triggered by the sale, the trust gets a tax deduction for payments made to the charitable recipients. As such, the taxes can be offset.
- **Benefit from tax-free gifting** — Assuming proper allocation of exemption at the trust’s creation, assets return to beneficiaries without gift or estate taxes when the trust expires.
- **Preserve more of your wealth for your family and heirs** — A CLT enables you to pass assets to heirs at a reduced valuation for gift tax purposes. A low discount rate coupled with a high payout rate can substantially reduce the gift tax value of the remaining assets in the trust.

For more information, call your Merrill Lynch financial advisor.

**CHARITABLE LEAD TRUST EXAMPLE**

The following is an example of a \$5 million non-grantor charitable lead annuity trust (CLAT), which is a type of charitable lead trust.



**Assumptions**

- CLAT established when IRS discount rate is 2.8%
- Trust term of 20 years
- Trust income is 2% and capital appreciation is 4% annually
- The CLAT will pay income tax but will receive an income tax deduction for distributions made to charity (also assumed the deduction will exceed net income in all years)

Actual returns and results may vary. If the total return is less than the 6% illustrated, amounts paid to individuals will be less and could be less than the original principal amount. This illustration does not include fees, which may vary depending on how the trust is set up.

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Your Merrill Lynch financial advisor can work with you on an approach designed to provide the specific services you need in the way that works for you. The result is a relationship supported by the investment insights of Merrill Lynch and the deep fiduciary experience of U.S. Trust—a relationship dedicated to helping you address your unique goals and priorities.



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