RAYMOND JAMES

A donor's guide to charitable lead trusts

Provide regular support for a charity of your choice while preserving a future sum for you or your loved ones.

A charitable lead trust helps investors pursue two goals, philanthropic giving and wealth transfer, while providing tax management benefits.

One gift of success is having the resources to shape a financial and philanthropic legacy. Charitable lead trusts support those complementary goals while providing tax benefits for you or your beneficiaries – pursuing two objectives in concert to make more efficient use of your resources.

The intersection of philanthropy, estate planning and tax management is a complex one. This complexity leads some philanthropically minded investors to leave giving to a year-to-year decision or to leave it as an issue for the estate plan. However, donors who are active in their charitable organizations know the value of regular income, and financial advisors and tax planners know the value of planning ahead.

This is where charitable lead trusts help.

TWO GOALS WITH TAX BENEFITS

Charitable lead trusts use a sum of assets – typically cash – to create income over time for a charity of the donor's choice. At the end of the term, either a set period of time or for the life of the donor – known as the "grantor" – the remaining sum is given to a non-charitable beneficiary, typically a loved one. Charitable lead trusts are "irrevocable" trusts, meaning once enacted, they cannot be reversed.

REVERSIONARY TRUSTS

In certain circumstances, grantors may wish to receive the remaining value of the trust at the end of its term, rather than assigning it to another non-charitable beneficiary. This makes it a "reversionary trust."

ACTIVE PHILANTHROPY

Regular, predictable income helps charities perform their core missions and set plans for the future; active giving allows philanthropists to stay closer to the causes they support. Charitable lead trusts enable these benefits.

TAX BENEFITS

When creating a family financial legacy, investors must contend with the challenges of transfer taxes like estate and gift taxes. By using a charitable lead trust, grantors may reduce their beneficiary's tax liability upon inheritance, and in one form grantors can benefit immediately from their contribution to the trust.

Grantor trust: The grantor retains ownership of the trust's assets and receives an immediate tax deduction for calculated interest on all future income payments made by the trust. The deduction is higher when interest rates are higher. The grantor will then owe taxes on the trust's investment income.

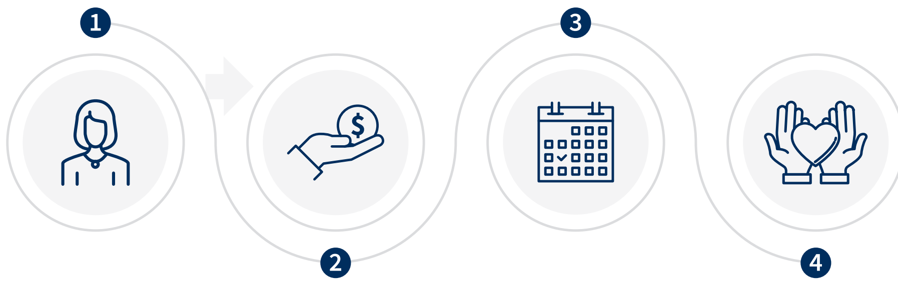
Non-grantor trust: The trust takes ownership of the assets and pays taxes on investment income. The grantor cannot make a tax deduction.

In both grantor and non-grantor trusts, the non-charitable beneficiary will be liable for lower transfer taxes compared to a gift or inheritance.

The creation of charitable lead trusts is often timed to coincide with high-income years or after a major wealth event, like the sale of a business or the receipt of a cash inheritance. Non-cash assets can be used in a charitable remainder lead trust, though the tax considerations can be more complex.

HOW CHARITABLE LEAD TRUSTS WORK

1. The grantor transfers cash or other assets to an irrevocable trust and may benefit[1] from a one-time tax deduction based on the calculated interest value of future payments.
2. The trustee invests the assets of the trust using an income strategy.
3. For the length of the term, the trust pays income to a charitable beneficiary.
4. At the end of the term, the remaining value of the trust is given to a non-charitable beneficiary.



[1]If structured as a grantor trust

PLANNING A LEGACY

A charitable lead trust is one type of focused financial vehicle that serves investors' philanthropic and estate planning needs. It is a powerful, sophisticated instrument requiring due diligence, prior planning and a holistic view of one's goals and financial concerns. Used well, a charitable lead trust can extend the reach of your resources.

As you are creating your financial legacy, consider having a conversation with a financial advisor who is experienced with both wealth transfer and philanthropic giving strategies.

Speak with a financial advisor to find out how your estate plan and tax management plan can support your charitable causes.

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER
880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM

IFS24-595100 Exp: 9/30/25 24-GWS-2184 TA 10/24