

What the charities receive

Every Brethren agency we know is delighted to receive funds through a Charitable Lead Trust. This estate planning tool makes certain the charities you care about receive a gift from the assets which remain after your death.

Direct inquiries to our Virginia Office



a not-for-profit ministry of Church of the Brethren Benefit Trust

1505 Dundee Avenue, Elgin, IL 60120-1619
847-695-0200 • 800-746-1505 toll free • 847-742-0135 fax
www.brethrenbenefittrust.org

Virginia office:

31 Southgate Court, Suite 202, Harrisonburg, VA 22801
540-434-6530 • 888-311-6530 toll free • 540-564-1579 fax

More information

You may request more technical information from your local development officer, or by contacting Brethren Foundation, Inc.

The information in this publication is intended to serve as a basis for further discussion with us and your other professional advisors. While we have taken great effort to provide accurate information, this material should not be relied upon as tax or legal advice, for which you should consult with your accountant or lawyer.



Charitable Lead Trust

Charitable Lead Trust

*Another way of giving —
helping the next generations.*

A Charitable Lead Trust is designed to provide income payments to a charitable organization for a fixed term of years, the lives of one or more individuals, or a combination of the two. The trust principal is then paid to persons named by the donor in the trust agreement. This arrangement is also referred to as a “charitable income trust,” but the term “charitable lead trust” is used more commonly because the payment of the income interest to charity *leads* or precedes the payment of the remainder interest.

The term “lead trust” is descriptive of what actually happens. It means the charity leads the beneficiaries by receiving its income before anything goes to any individuals. The Charitable Lead Trust may be thought of as the inverse of charitable remainder trusts. In practice, however, many of the rules that govern the operation and taxation of Charitable Lead Trusts differ significantly from those for Charitable Remainder Trusts. For example Charitable Lead Trusts are not tax-exempt entities as are charitable remainder trusts. The rules governing charitable remainder trusts are designed to protect the charitable *remainder* interest, whereas the rules governing Charitable Lead Trusts protect the charitable *income* interest.

How it works

Only income-producing assets should be put into a Charitable Lead Trust. Examples are cash, stocks, bonds, and real estate. Assets which do not produce dependable income should not be used.

The trust can be set up for any period of time. Income can be paid to charitable organizations for a set period of years, such as 5, 10, or 15 years, for the lifetime(s) of the donor(s), or the lifetime(s) of various living persons.

Because Brethren Foundation, Inc., is experienced in setting up and administering lead trusts, the Foundation could serve as trustee and also provide important tax computations.

Who should use it?

A Charitable Lead Trust may be attractive to persons who can afford to give up income on a portion of their assets for a period of years. During this time the trust income is used to benefit one or more charitable organizations. After the trust terminates, the principal can provide for the future needs of children and/or grandchildren.

Giving a Gift

Establishing a Charitable Lead Trust is easy with the help of your local planned giving officer and the Foundation. Experienced representatives can help you transfer cash, stocks, bonds and real estate to the

Foundation and designate what charities you would like to support.

The income from a Charitable Lead Trust must be paid to tax-exempt organizations. Examples are Church of the Brethren congregations, districts, colleges, seminary, schools, relief agencies, retirement communities, and camps. We forward all the gifts of income to the selected charities in your name.

What you receive

Charitable Lead Trusts are a valuable tool in some estate planning situations. Among the benefits that a donor might be expected to receive are:

- An individual whose gifts exceed his/her percentage of adjusted gross income ceiling on deductibility can make before-tax dollars available to charity.
- A Charitable Lead Trust can reduce, or sometimes eliminate, gift and estate tax on passing property to family members in succeeding generations. Some times referred to as “generation-skipping.”
- A Charitable Lead Trust can generate an income tax charitable deduction if the grantor is taxable on trust income paid to charity. While this is not generally a beneficial tax situation it can be helpful if the trust is invested in tax-exempt securities.