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# Charitable Lead Annuity Trust

Prepared for: Sample

Prepared by: Brentmark

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# Charitable Lead Annuity Trust

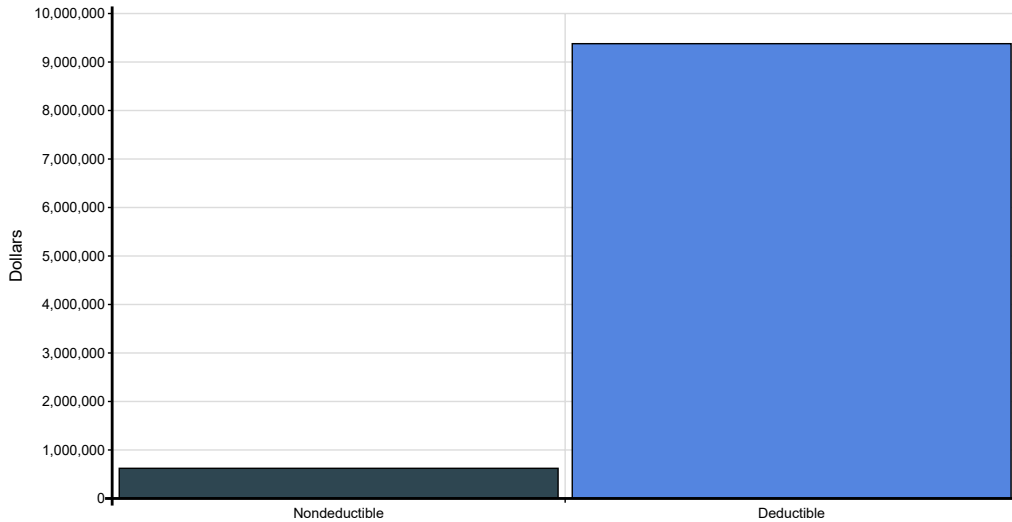
Trust Type:	Life
Transfer Date:	11/2022
§7520 Rate:	3.6%
FMV of Trust:	\$10,000,000
Lives:	1
Age:	55
Percentage Payout:	5.26333%
Payment Period:	Annual
Growth of Trust:	3.70%
Payment Timing:	End
Exhaustion Method:	IRS
Annual Annuity Payment Growth:	10.00%
Economic Schedule Compounding:	Annual
Mortality Table:	2010CM

Year	Varying Payouts	Payment
1	5.26333%	\$526,333
2	5.78966%	\$578,966
3	6.36863%	\$636,863
4	7.00549%	\$700,549
5	7.70604%	\$770,604
6	8.47664%	\$847,664
7	9.32430%	\$932,430
8	10.25673%	\$1,025,673
9	11.28240%	\$1,128,240
10	12.41064%	\$1,241,064
11	13.65170%	\$1,365,170
12	15.01687%	\$1,501,687
13	16.51856%	\$1,651,856
14	18.17042%	\$615,137

# Charitable Lead Annuity Trust

## Results

Annual Payout:	\$526,333.00
Annual Payment:	\$526,333.00
Single Life Annuity Factor:	80.0643
Payout Frequency Factor:	1.0000
Present Value of Annuity Limited by §7520 Regs:	\$9,378,456.72
Remainder Interest = FMV of Trust less PV of Annuity:	\$621,543.28
Final Partial Payment Amount:	\$487,160.89
Value of \$385,219.84 Growing at 10.00% for 13.00 Years:	\$6,674,742.69
Value of \$141,113.16 Growing at 10.00% for 14.00 Years:	\$2,703,714.03
Value of Annuity Interest:	\$9,378,456.72
Charitable Deduction for Income Interest:	\$9,378,456.72
Donor's Deduction as Percentage of Amount Transferred:	93.785%



# Charitable Lead Annuity Trust: Illustrated Method

Rev. Rul. 77-454

Year	Balance Begin	Payment	Growth	Income
1	\$10,000,000	\$526,333	\$360,000	\$9,833,667
2	\$9,833,667	\$578,966	\$354,012	\$9,608,713
3	\$9,608,713	\$636,863	\$345,914	\$9,317,764
4	\$9,317,764	\$700,549	\$335,439	\$8,952,654
5	\$8,952,654	\$770,604	\$322,296	\$8,504,346
6	\$8,504,346	\$847,664	\$306,156	\$7,962,838
7	\$7,962,838	\$932,430	\$286,662	\$7,317,070
8	\$7,317,070	\$1,025,673	\$263,415	\$6,554,812
9	\$6,554,812	\$1,128,240	\$235,973	\$5,662,545
10	\$5,662,545	\$1,241,064	\$203,852	\$4,625,333
11	\$4,625,333	\$1,365,170	\$166,512	\$3,426,675
12	\$3,426,675	\$1,501,687	\$123,360	\$2,048,348
13	\$2,048,348	\$1,651,856	\$73,741	\$470,233
14	\$470,233	\$487,161	\$16,928	\$0
Total	\$470,233	\$13,394,260	\$3,394,260	\$0

## Charitable Lead Annuity Trust: Economic Schedule

Year	Balance Begin	Payment	Growth	Balance End
1	\$10,000,000	\$526,333	\$370,000	\$9,843,667
2	\$9,843,667	\$578,966	\$364,216	\$9,628,917
3	\$9,628,917	\$636,863	\$356,270	\$9,348,324
4	\$9,348,324	\$700,549	\$345,888	\$8,993,663
5	\$8,993,663	\$770,604	\$332,766	\$8,555,824
6	\$8,555,824	\$847,664	\$316,565	\$8,024,726
7	\$8,024,726	\$932,430	\$296,915	\$7,389,210
8	\$7,389,210	\$1,025,673	\$273,401	\$6,636,938
9	\$6,636,938	\$1,128,240	\$245,567	\$5,754,265
10	\$5,754,265	\$1,241,064	\$212,908	\$4,726,109
11	\$4,726,109	\$1,365,170	\$174,866	\$3,535,805
12	\$3,535,805	\$1,501,687	\$130,825	\$2,164,943
13	\$2,164,943	\$1,651,856	\$80,103	\$593,189
14	\$593,189	\$615,137	\$21,948	\$0
Total	\$593,189	\$13,522,236	\$3,522,236	\$0

*This scenario is a hypothetical illustration based on the assumptions you entered via the inputs inside the program. It is to be used solely as a conceptual guide to understand and quantify your planning needs. It would be wise to consider this illustration together with all other information you deem necessary in making your investment decisions. This illustration is not a guarantee of the performance of any specific investment. Actual performance from your investments and assets may vary. This illustration is not legal or tax advice. You should consult with your attorney and accountant to review this information and determine its appropriateness for your particular situation. The provider of this illustration provides no guarantee and assumes no responsibility or liability for the accuracy of the information provided (including whether the interest rate you have selected is in fact "reasonable") or for your reliance based on this information.*

## Charitable Lead Annuity Trust: Explanatory Text

You create a CLAT by transferring cash or other assets to an irrevocable trust. A charity receives fixed annuity (principal and interest) payments from the trust for the number of years you specify. At the end of that term, assets in the trust are transferred to the non-charitable remainderperson (or persons) you specified when you set up the trust. Usually, this person is a child or grandchild but can be anyone, even someone who is not related to you.

You can set up a CLAT during your lifetime or at your death. Both corporations and individuals may establish lead trusts.

You can set up a CLAT so that you will receive an immediate and sizeable income tax deduction. In the second and following years, you must report the income earned by the trust even though it is actually paid to the charity in the form of an annuity.

What is the advantage of a trust that produces a high deduction in the first year but requires you to report income you don't receive in later years? One advantage is the acceleration of the deduction. For example, suppose you have just won the lottery, closed an incredibly large case, or sold a very highly appreciated asset. Perhaps you reasonably expect that in future years, your income will drop considerably. It's good planning to have a very high deduction in a high bracket year even if you have to report that income in lower bracket years. You are spreading out the income (and the tax) over many years.

Another advantage of the CLAT is that it allows a "discounted" gift to family members. Under present law, the value of a gift is determined at the time the gift is made. The family member remainderman must wait for the charity's term to expire; therefore, the value of that remainderman's interest is discounted for the "time cost" of waiting. In other words, the cost of making a gift is lowered because the value of the gift is decreased by the value of the annuity interest donated to charity.

When the assets in the trust are transferred to the remainderman, any appreciation on the value of the assets is free of either gift or estate taxation in your estate.

Many people of wealth set up CLATs at death through their wills. The present value of the charity's annuity stream is deductible for estate tax purposes. Since your heirs don't pay estate taxes on the charity's portion, the money that otherwise would have been paid in estate taxes can instead be invested. During the term of that trust, increased investment income can help pay for the fixed annuity promised to the charity - and if there is any "surplus", that extra income can be compounded for your heirs and pass to them - gift tax free - when the trust ends.