

# Charitable Lead Trust (CLT)

**CONCEPT APPLIED:**

The charitable lead trust allows donors to make a “temporary gift” of income to charity while passing property ownership to individual beneficiaries. Lead trusts are used to reduce transfer taxes and ultimately pass ownership to family members.

**HOW IT WORKS:**

The grantor establishes the trust by transferring assets into the CLT. The value of the remainder interest is calculated at this time.

In a **grantor lead trust**, the grantor: (1) may take an itemized deduction for the present value of the charitable payments (subject to limitations) and (2) must include all trust income on his/her income tax return.

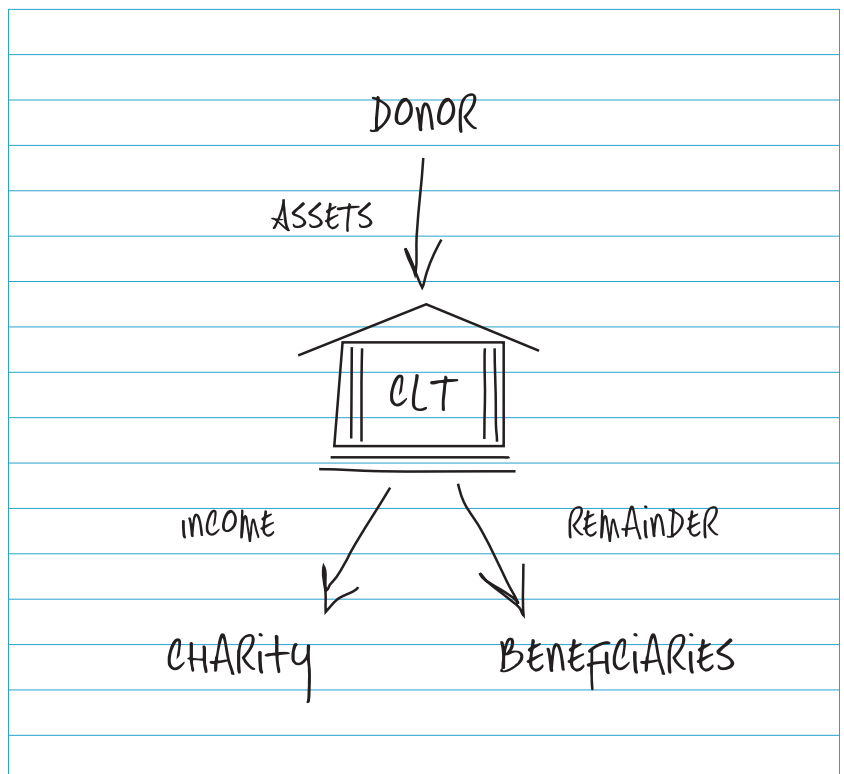
In a **non-grantor lead trust**, an estate or gift tax charitable deduction is available for the charitable gift portion of the “split-interest” gift. Transfer tax savings are realized on any appreciation of assets in the trust.

**WHY IS IT USEFUL?**

The charitable lead trust is useful in reducing overall taxes while passing assets on to family members or other non-charitable beneficiaries.

**50 WORDS OR LESS**

A CLT is an irrevocable trust that makes payments to a qualified charity during the trust term, then passes the remainder interest to named beneficiaries (perhaps including the grantor). The charitable payments are either a fixed dollar amount (annuity trust) or a fixed percentage of annual trust assets (unitrust).



**hightoweradvisors.com**

**200 W Madison, 25th Floor  
Chicago, IL 60606  
(312) 962-3800**

**300 Madison Ave, 29th Floor  
New York, NY 10017  
(917) 286-2717**

**405 Lexington Ave, 42nd Floor  
New York, NY 10174  
(917) 286-2706**

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