Charitable Lead Trusts:

Do you want to benefit from the tax savings that result from supporting Make-A-Wish® Orange County and the Inland Empire yet you don't want to give up any assets that you'd like your family to receive someday? You can have it both ways with a charitable lead trust.

How It Works

You give assets to a trust that pays Make-A-Wish Orange County and the Inland Empirean income for a number of years, which you choose. The longer the length of time, the better the gift tax savings for you. When the term is up, the remaining trust assets go to you, your family or other beneficiaries you select. This is an excellent way to transfer property to family members down the line (typically children and grandchildren) at a minimal cost.

There are two basic types of charitable lead trusts: a grantor lead trust and a non grantor or family lead trust. Which one is right for you?

In a grantor lead trust, you are considered the owner of the trust. You receive the remainder interest at the end of the trust's term. As the owner, you are taxed on all the income. You are entitled to claim a current federal income tax deduction for the present value of the income payments to charity. This type of trust works well if it is funded with municipal bonds.

A more popular option is the non grantor or family lead trust. With this type of trust, your family members receive the remainder interest at the end of the trust's term. You do not qualify for an income tax deduction. However, you will receive a charitable gift tax deduction for the present value of the charity's interest. This is an excellent way to transfer property to family members down the line at a minimal tax cost. This type of charitable lead trust is especially appealing to Make-A-Wish Orange County and the Inland Empiresupporters who have appreciating assets and are financially comfortable enough that they can forgo investment income on some assets.

YOUR CHARITABLE LEAD TRUST

1. You give cash or property to your charitable lead trust

MAKE-A-WISH
Orange County and the Inland Empire

2. MAWOCIE receives yearly payment

3. Remaining Trust assets go to family at end of trust terms

Fixed or Variable Charitable Payments?

A charitable lead trust can make payments in one of two ways: A charitable lead *annuity* trust pays a fixed amount each year to Make-A-Wish® Orange County and the Inland Empire, whereas a charitable lead *unitrust* (the less common type) pays a variable amount each year based on the value of the assets in the trust. With a unitrust, if the trust's assets go up in value, the payments to our organization go up as well. On the other hand, if the assets decrease in value, so do our payments.

Did you know?

You can create a lifetime charitable lead trust to take effect today, or you can set up the trust to take effect at your death (a testamentary trust).

Your Main Benefits

- You support an organization you love while also making sure your family is taken care of after your lifetime.
- The gift qualifies for gift or estate tax savings based on the current value of the income paid to Make-A-Wish Orange County and the Inland Empireover the trust term. (Ask your legal and tax advisors for more information about your possible tax savings.)

Example

Assume you pass away leaving a taxable estate of $10 million in 2013. For each $1 million over the estate tax threshold that you leave to your family, estate taxes could consume up to $400,000 and your heirs will receive only $600,000. With a lead trust, you can transfer $1 million to your heirs—albeit after your death—leaving only $51,160[1] subject to tax, instead of $1 million.

To accomplish this, you create a $1 million lead trust from your estate (a testamentary charitable lead trust) that will pay a qualified charitable organization $60,000 annually for 18 years. When the trust ends in 18 years, the remaining trust assets will go to your named beneficiaries.

This is just one example. The size of your trust and its terms are up to you.