

# Charitable Lead Trust

Income for SJSU Now. Benefits for You or Your Heirs Later.



Do you want to make a significant gift to San José State University and reap significant tax benefits, yet still hold on to assets that you would like to keep or give to your family someday?

A charitable lead trust can support significant annual gifts to SJSU and yet preserve wealth by sheltering investment earnings from taxes and offering gift, estate and generation-skipping tax benefits.

## Family (Non-Grantor) Charitable Lead Trust

A family charitable lead trust can minimize gift and estate taxes on assets going to heirs. This type of charitable lead trust is best for those with a taxable estate who want to leverage their exemption to reduce gift and estate taxes on transfers to their heirs.

You transfer cash, appreciated stocks or real property into an irrevocable family charitable lead trust. You may owe a significantly reduced gift tax based on the projected amount that will eventually go to your heirs (the value of your establishing gift minus the present value of the charitable gift). You can use your unified gift and estate tax credit to offset that tax.

Your family charitable lead trust pays SJSU an annual amount (either a fixed amount or a percentage of the trust) for a specified number of years or for your lifetime.

The trust itself is responsible for paying taxes on its income. A properly structured and managed trust can pay little or no tax.

At termination, the trust's assets are transferred to your heirs, including any additional growth in value, without any gift or estate tax.

## Grantor Charitable Lead Trust

A grantor charitable lead trust can create a tax deduction for the donor in a high-income year. This type of trust is best for those with a high annual income or who have a significant cash-out event, such as the sale of highly appreciated real estate or stock, or the sale of a business.

You transfer cash, appreciated stocks, real estate or other assets into an irrevocable grantor charitable lead trust. You receive an income tax deduction at the time of your gift. You are responsible for paying tax on the trust's income, but a properly structured and managed trust can minimize or even eliminate those taxes.

Your charitable lead trust pays SJSU an annual amount (either a fixed amount or a percentage of the trust) for a specified number of years or for your lifetime.

At termination, the trust's assets revert back to you or your estate, including any additional growth in value.

## Super Charitable Lead Trust

The super lead trust combines the best features of the family charitable lead trust and the grantor charitable lead trust. The super lead trust is for those who want to minimize the estate and gift taxes on the transfer of assets to their heirs, but who also need an immediate income tax deduction.

Like a family charitable lead trust, the assets are not included in your estate and you can leverage your gift or estate tax deduction on transfers

to your heirs. But like a grantor charitable lead trust, you may take an immediate tax deduction for future charitable gifts from the trust and are responsible for paying taxes on any income earned by the trust.

## Example of a Family Lead Trust

Jim and Barbara want to make a significant multi-year gift commitment to SJSU's comprehensive campaign, but they also want to ensure that the bulk of their \$33.16 million estate goes to their heirs. Their unified gift/estate tax exemption means the first \$23.16 million can pass to their heirs tax free. They place the other \$10 million, which would otherwise be subject to heavy gift/estate tax, in a family (non-grantor) charitable lead trust that will pay SJSU \$1 million annually for 10 years. Under current rates, Jim and Barbara need to use only \$216,500 of their gift/estate tax exemption to make the entire \$10 million transaction free of taxes. Their trust grows at 8 percent and, after 10 years, not only do they fulfill a \$10 million transformational gift pledge to their beloved alma mater, but \$7.1 million of their estate can transfer to their heirs tax free.

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