COLLEGE OF THE Holy Cross

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Charitable Lead Trust

A charitable lead trust (CLT) makes payments to College of the Holy Cross now and ultimately reduces your tax costs for transferring assets to your heirs.

With a CLT, you irrevocably transfer assets to a trustee and provide that payments will be made to Holy Cross for a certain number of years during your life (or someone else's). When that term ends, the principal is passed to your children or other heirs at greatly reduced gift and estate tax costs (and, in some cases, these taxes may be avoided completely.)

A CLT could be right for you if:

- You have substantial assets which are not needed for your own financial security.
- You want to provide for your family or other heirs as generously as possible.
- You want to reduce your income gift and estate taxes, as well as probate costs.
- You want Holy Cross to begin benefitting from your gift right away, rather than after your death.

What are the benefits?

- You are not taxed on the annual income generated. (You may qualify for an income tax deduction up front; talk to us for more information.)
- You pass the remaining principal to your heirs at greatly reduced gift and estate taxes.
- Your assets will be professionally managed during the term of the trust.
- You enjoy a gift tax deduction for the present value of the College's income interest.

How does it work?

- You irrevocably transfer cash, securities, or other property to establish a trust.
- Each year, during its term, the trust pays Holy Cross either a fixed annuity payment or a percentage of the trust, depending on how the trust has been structured.
- When the trust terminates, the trustee transfers the remaining principal and appreciation to your loved ones or other heirs you name.

Specific tax implications for CLTs:

When you transfer assets to a CLT, you are making a taxable gift to the individuals who will receive your trust's principal when it ends. Depending on the type of CLT you select, you may be eligible to take an immediate partial tax deduction with cash contributions. The calculation of the income tax deduction takes into consideration the term of the trust, the projected lead payments, and IRS interest rate that is used to assume a certain rate of growth of trust assets. Additionally, the assets in your CLT are removed from your taxable estate. This means that any growth in the value of your trust's assets during its term can be passed on to your heirs completely free of taxes.

A CLT is a taxable trust that will pay income tax to the extent its income earned exceeds the charitable distribution made to College of the Holy Cross each year. A careful trustee can balance your CLT's income against its charitable payments to minimize income taxes.