A charitable lead trust (CLT) is a type of trust created to generate income for a charity for a defined period of time. Once that period of time terminates, the trust assets are distributed back to you, the donor, or to the beneficiaries whom you name.

**How It Works**

You place assets into a trust that pays UAB an income for a specified number of years. The longer the length of time, the better the gift tax savings for you. When the term ends, the remaining trust assets are distributed to you or to the other beneficiaries whom you select. A CLT is an excellent way to transfer property to family members (typically children and/or grandchildren) at minimal cost.

**Is This Gift Right for You?**

Consider these five questions to determining if a CLT is right for you:

- Do you wish to provide UAB with ongoing support over a certain number of years?
- Is your ultimate goal to transfer assets valued at $1 million or more to loved ones at minimal tax cost or to have those assets revert back to you after the trust's term ends?
- Are you able to temporarily forego access to a particular asset? Do you have income-producing assets upon which you are not financially dependent?
- Do you wish to benefit from estate or gift tax relief?
- Do you see value in implementing a gift opportunity into your estate plans now, a time of tax-efficiency and low interest rates?
Choose Between Two Types of Trusts

The most common CLT is a non-grantor or family lead trust. Your family members receive the trust’s remainder interest at the end of the designated term. You do not earn a charitable gift tax deduction with this type of CLT, but you do earn an income tax deduction. This is an excellent way to transfer property to family members down the line at minimal tax cost.

A second type of CLT is a grantor lead trust. The donor is considered the owner of the trust and receives the remainder interest at the end of the trust’s term. As the owner, you are taxed on all the income. You are entitled, however, to claim a current federal income tax deduction for the present value of the income payments to charity. This type of trust works well when funded with municipal bonds.

Choose Between Two Forms of Income

A charitable lead trust can make payments in one of two ways:

1. A charitable lead annuity trust (most common) pays a fixed amount each year to UAB.

2. A charitable lead unitrust (less common) pays a variable amount each year to UAB. This variable amount is determined by value of the assets in the trust each year.

How to Complete Your Gift

• Decide which assets will fund the trust. A lead trust can be funded with a variety of income-producing assets. Due to the cost of set-up and administration, a lead trust is a more practical option for assets valued at $1 million or more.

• Determine whether a non-grantor or grantor lead trust works best for you. In making this decision, you will need to carefully consider your income, estate, and gift tax goals. Additionally, you will need to consider who you want to receive the trust’s assets at the end of the defined term.

• Establish whether fixed or variable payments works best for you and determine what term of years best accomplishes the charitable income goal you wish to achieve for UAB. The type of assets in the trust and how those assets produce income will affect not only your decision to create an annuity trust or a unitrust, but also will affect your decision about how long you wish UAB to receive income distributions.

• Include UAB in the process so that we can work with you and your advisor(s). We can help determine the income’s best use and ensure that your philanthropic goals are achieved. Your legal, tax and financial advisor(s) should be involved in your decision to fund a CLT.

For more information on charitable lead trusts or other planned gifts benefiting your favorite college, school or program at UAB, contact the Office of Planned Giving at 205-996-7533, plannedgiving@uab.edu, or visit our website at www.uab.edu/plannedgiving.