



Charitable Lead Trust

WHAT IS A CHARITABLE LEAD TRUST?

A Charitable Lead Trust makes regular distributions to a charitable fund at The Winston-Salem Foundation or another nonprofit, school, or religious institution, for a specific period of time. When the trust terminates, the remaining assets are transferred back to you or to your heirs, usually with significant transfer tax savings.

A CHARITABLE LEAD TRUST IS A WAY TO GIVE THAT IS:

- **Smart:** You can make current gifts to charitable groups while ensuring that your heirs receive an inheritance at a minimum tax cost and at a time that is appropriate for them to have access.
- **Tax Efficient:** You reduce or eliminate transfer taxes on an appreciable asset by locking in today's value.
- **Flexible:** You decide how long the trust should last and the amount of the charitable distributions. Annual distributions can be a fixed percentage of trust assets or a fixed dollar amount.
- **Personal:** You can recommend which nonprofit organizations you wish to support, or you can involve your children through an advised fund. The fund can bear your name; the name of your family, business, or someone you would like to honor; or a name that will not identify you at all.

WHO IS IT FOR?

A Charitable Lead Trust is for someone who:

- Can afford to set aside a portion of their assets for a certain number of years.
- Wants to ensure their heirs receive an inheritance – but not immediately.
- Wants to reduce estate taxes.
- Owns securities, real estate, or other assets that they expect to increase in value over the term of the trust.

FINANCIAL FACTS:

- The recommended minimum to establish a Charitable Lead Trust is \$1 million.
- Charitable Lead Trusts are not exempt from income tax. Their tax benefit is primarily in minimizing the estate tax.
- Assets may be passed to heirs based on their value at the date of the gift – heirs can save substantial taxes on assets that appreciate during the trust’s term.
- Distributions to charity may be either fixed or variable.
- The Winston-Salem Foundation does not charge a fee to serve as trustee of Charitable Lead Trusts, but requires that a minimum 10% of the annual distribution remain at the Foundation in an endowment fund to benefit the charities of your choice.
- Direct costs of administration are covered by the trust.
- You may select a trustee or investment manager of your choice.

HOW TO GET STARTED:

- Discuss your situation with your professional advisor and a member of The Winston-Salem Foundation’s Philanthropic Services staff.
- The Foundation will work with your legal advisor to provide a sample trust agreement for you to review.
- If all or a portion of the charitable distribution is designated for a fund at the Foundation, a fund agreement will document your charitable wishes.
- The trustee you select will manage the Charitable Lead Trust, including investments, administration, and tax preparation. The trustee will transfer the assets back to you or your heirs when the trust terminates.
- After the trust is established, your fund at the Foundation or other named charities will begin receiving regular distributions from it.

For more information, visit wsfoundation.org or call the Foundation at (336) 725-2382.