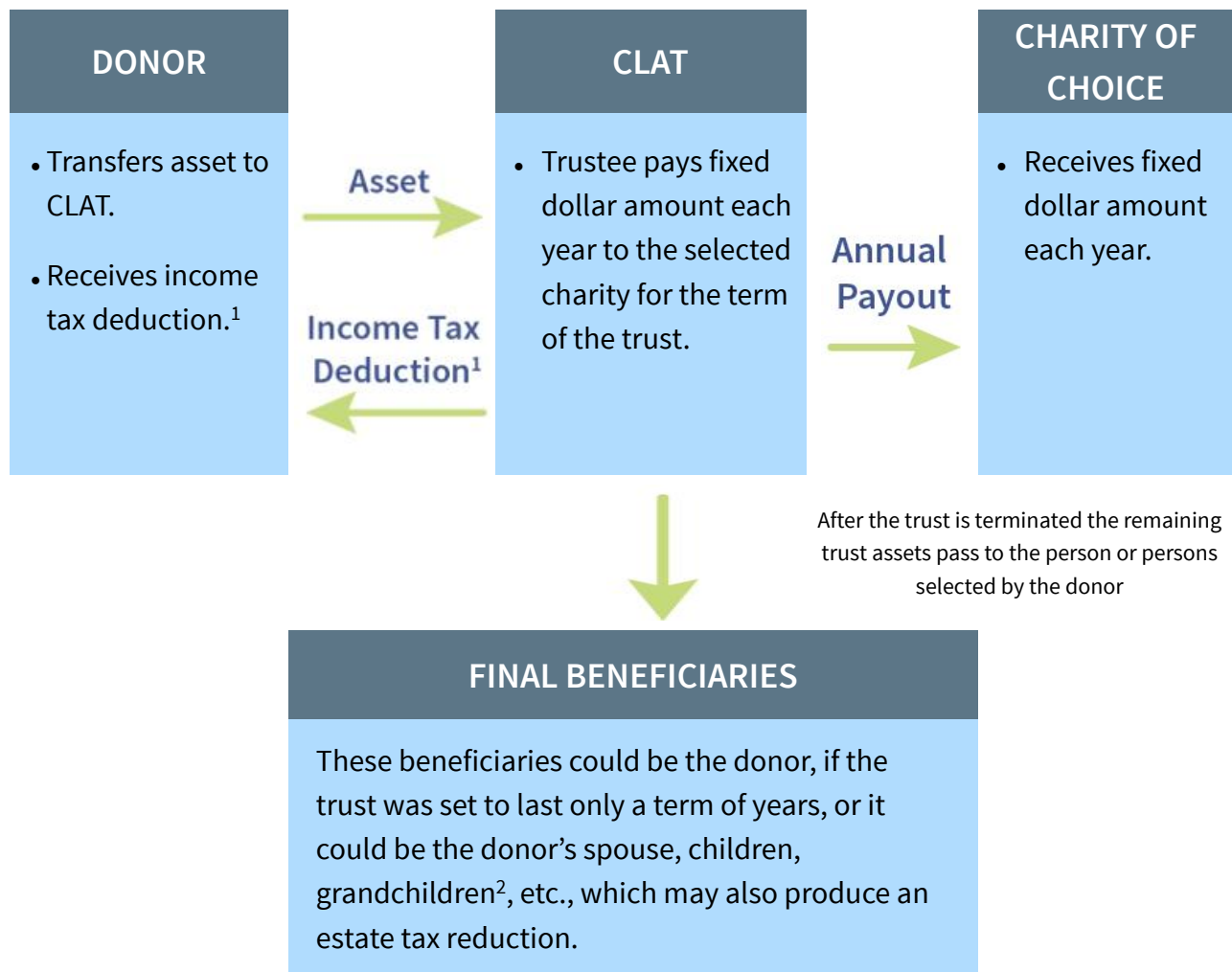


# How a Charitable Lead Annuity Trust Works

The donor transfers an asset to the trustee of a Charitable Lead Annuity Trust (CLAT). Each year thereafter, the trust pays a fixed dollar amount to selected charities. A current income tax deduction is generally allowed for the present value of the income interest paid to the charities.

At the end of the term of the trust, the remaining assets pass to the donor's heirs, spouse, or sometimes back to the donor, if living.



<sup>1</sup> The income tax deduction, allowable only to grantor trusts, is based on a government determined applicable federal rate and may have to be spread over more than one year, if it exceeds certain percentage of income limitations.

<sup>2</sup> Choosing grandchildren (or later descendants) to receive the assets when the trust terminates may trigger the Generation-Skipping Transfer Tax (GSTT).

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# Disclosure Notice

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The information that follows is intended to serve as a basis for further discussion with your financial, legal, tax and/or accounting advisors. It is not a substitute for competent advice from these advisors. The actual application of some of these concepts may be the practice of law and is the proper responsibility of your attorney. The application of other concepts may require the guidance of a tax or accounting advisor. The company or companies listed below are not authorized to practice law or to provide legal, tax, or accounting advice.

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