

# GRANTOR CHARITABLE LEAD TRUST

Giving to  
Duke  
GIFT PLANNING

Accelerate your income tax deduction

A **Grantor Charitable Lead Trust**—often called a “grantor CLT”—allows donors to have an impact at Duke each year for a number of years, while receiving the full charitable deduction in the year the trust is created. Because of this “accelerated” income tax deduction, this trust may be ideal for someone seeking to offset the tax impact of an income windfall, such as a bonus or a company sale.

## Benefits

- An immediate income tax deduction accelerated to the first year of the trust for all charitable gifts to be made over the life of the trust;
- A source of income to Duke, directed to the area(s) most important to you;
- Ability to contribute almost any type of asset; cash and high basis stock are most common because they minimize taxes recognized by the donor for trust activities.

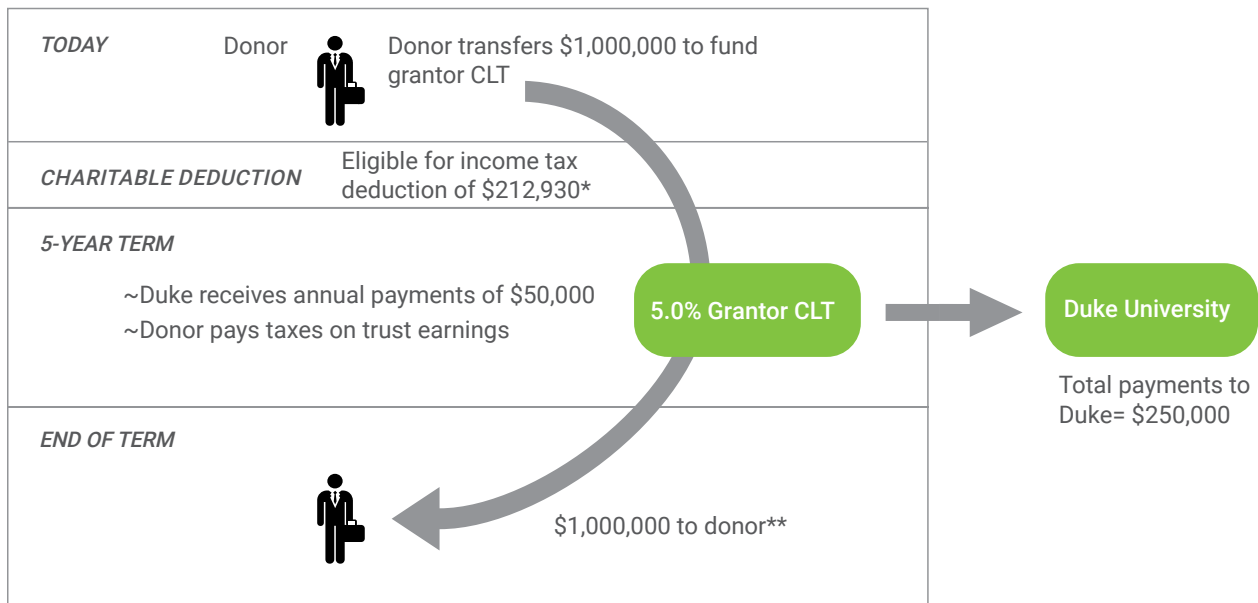
## How it works

A grantor CLT lasts for a specific period of time, set forth in the trust document. This “term” is usually between three and seven years. Each year, the trust makes a fixed payment to charity. In the year the donor establishes the trust, she receives an income tax deduction based on the present value of the total payments that the trust will distribute to charity, even though those charitable payments will be made over several years. At the end of the term, the assets remaining in the trust are returned to the donor or pass to the donor’s heirs.

*The donor should be aware that this type of trust is irrevocable and not tax-exempt. All income and capital gains realized by the trust will be passed through to the donor for tax purposes—as if the donor was holding and investing the assets directly.*

**For example**, consider a grantor CLT funded with a gift of \$1 million in August 2024. The trust will pay Duke a fixed amount of \$50,000 (a rate of 5% percent) each year for five years. In 2024, the donor may be eligible for a charitable income tax deduction of \$212,930, a potential tax savings of over \$78,000\*. During the life of the trust, the donor will pay tax on any earnings in the trust as if the donor was holding the assets directly. The donor will receive all remaining assets back at the end of the five-year trust term.

In our example, if the assets have appreciated by 5% each year, then after the five-year termination period, the donor will receive approximately the same amount as the original trust contribution. The amount returned by the trust to the donor will vary according to the earnings of the trust.



\* Assumption: Donor is in 37% federal income tax bracket; state income taxes not considered. The income tax deduction recognized upon creation of a grantor CLT is limited to 30% of the donor's adjusted gross income that year with a 5-year carryforward. If the grantor of the CLT passes away during the term of the trust, all or a portion of the initial tax deduction may be recaptured.

\*\* Assumption: The trust investments appreciate at a rate of 5% each year.

The tax impact of a charitable lead trust relies, in part, on an underlying "discount rate" published each month by the IRS. The illustration above relates solely to a lead trust established in August 2024. Please contact Duke's Office of Gift Planning for an updated illustration.

## Connect with us to get started

Duke University's Office of Gift Planning has charitable planning professionals available to work with you and your financial advisors to explore charitable giving strategies that support your financial goals now and in the future.

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