

## **A Charitable Legacy and Reduced Taxes: The Charitable Lead Trust**

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When people think about charitable trusts as part of their estate-planning process, they typically think of a charitable remainder trust, where the trust provides income to them until their death. However, there is another charitable trust to consider—a charitable lead trust (CLT). This type of trust provides income to a charity during the grantor's life or term of the trust, and at the end of the trust term, the remainder of the trust returns to the grantor or passes on to heirs.

If you currently hold assets with growth potential, have a large taxable estate, are in your peak income-producing years, and have a charitable inclination or history, a CLT could be a financially wise option. There are two types of CLTs: grantor and non-grantor.

The grantor CLT provides the grantor of the trust with a tax deduction upon the inception of the trust. However, the downside of a grantor CLT is you are responsible for any taxable income generated by the trust. You are trading future tax obligations for a current income tax reduction. This could be very beneficial in a tax year if you are anticipating an unusually large amount of taxable income.

A non-grantor CLT reduces the gift and estate tax on the transfer of high-growth assets to heirs but provides transfer of the growth tax-free. Although you won't receive a tax deduction at the non-grantor CLT's inception, you also won't be taxed on the trust's income that is paid to charity for the life of the trust.

Benefits of either type of CLT may last your lifetime through various tax deductions, including a larger tax deduction for the inception year as opposed to spreading those deductions over several years. You may also enjoy reaping the benefits of a legacy that includes a reduction of assets taxed to your beneficiaries.

Remember that a charitable lead trust should only be one portion of your estate and retirement planning. Consult your financial or tax advisor for more information.

*Scott White is president of the Financial Planning Association Southwest Florida Chapter. He is past president of the Southwest Florida Chapter of the American Society of Financial Service Professionals, past president of the Lee County Estate Planning Council, and founding president of the Planned Giving Council of Lee County. For more information, visit [www.scottwhiteadvisors.com](http://www.scottwhiteadvisors.com) or call (239) 936-6300. Scott White Advisors is an independent Registered Investment Advisor and is located at 1510 Royal Palm Square Boulevard, Fort Myers, Florida 33919. Securities offered through Raymond James Financial Services, Inc., member, FINRA/SIPC.*