Charitable Lead Unitrust

Prepared for: Sample

Prepared by: Brentmark

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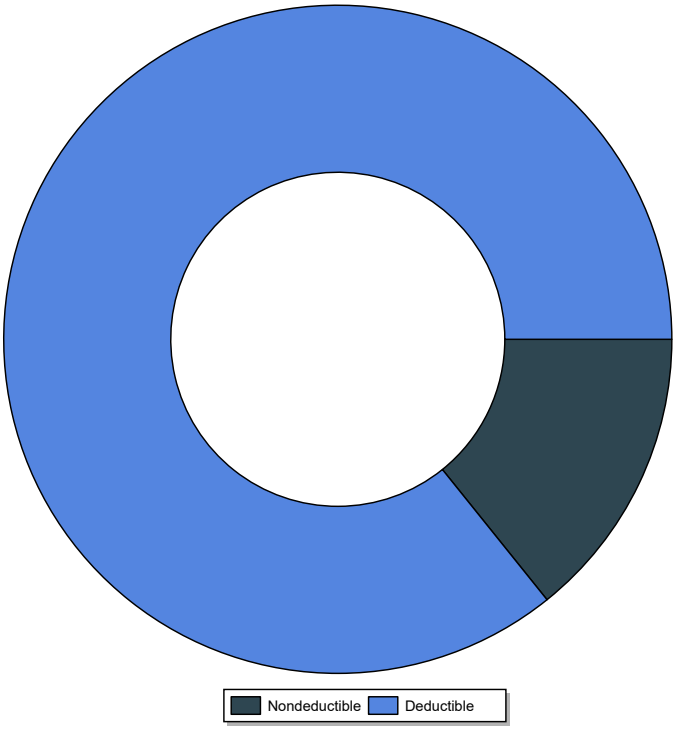
Charitable Lead Unitrust

Trust Type:	Life
Transfer Date:	11/2022
§7520 Rate:	3.60%
FMV of Trust:	$1,253,666
Lives:	2
Ages:	55, 56
Percentage Payout:	6.390%
Payment Period:	Annual
Months Valuation Precedes Payout:	12
Growth of Trust:	1.90%
Mortality Table:	2010CM

Payout Sequence Factor:	0.965251
Adjusted Payout Rate:	6.168%
Interpolation:	
Factor at 6%:	0.14965
Factor at 6.2%:	0.14087
Difference:	0.00878

(6.168% -6.0%) / 0.20% = X /0.00878; Therefore X = 0.00738

Life Remainder Factor = Factor at 6.0% Less X:	0.14227
Remainder Interest:	$178,359.062
Charitable Deduction for Income Interest:	$1,075,306.94
Donors Deduction as Percentage of Amount Transferred:	85.773%



Charitable Lead Unitrust: Economic Schedule

Year	Beginning Balance	Payment	Growth	End Balance
1	$1,253,666	$80,109	$23,820	$1,197,376
2	$1,197,376	$76,512	$22,750	$1,143,614
3	$1,143,614	$73,077	$21,729	$1,092,266
4	$1,092,266	$69,796	$20,753	$1,043,223
5	$1,043,223	$66,662	$19,821	$996,382
6	$996,382	$63,669	$18,931	$951,645
7	$951,645	$60,810	$18,081	$908,916
8	$908,916	$58,080	$17,269	$868,106
9	$868,106	$55,472	$16,494	$829,128
10	$829,128	$52,981	$15,753	$791,900
11	$791,900	$50,602	$15,046	$756,344
12	$756,344	$48,330	$14,370	$722,384
13	$722,384	$46,160	$13,725	$689,949
14	$689,949	$44,088	$13,109	$658,970
15	$658,970	$42,108	$12,520	$629,382
16	$629,382	$40,218	$11,958	$601,123
17	$601,123	$38,412	$11,421	$574,133
18	$574,133	$36,687	$10,908	$548,354
19	$548,354	$35,040	$10,419	$523,733
20	$523,733	$33,467	$9,951	$500,217
21	$500,217	$31,964	$9,504	$477,758
22	$477,758	$30,529	$9,077	$456,306
23	$456,306	$29,158	$8,670	$435,818
24	$435,818	$27,849	$8,281	$416,250
25	$416,250	$26,598	$7,909	$397,560
26	$397,560	$25,404	$7,554	$379,710
27	$379,710	$24,263	$7,215	$362,661
28	$362,661	$23,174	$6,891	$346,377
29	$346,377	$22,134	$6,581	$330,825
30	$330,825	$21,140	$6,286	$315,971
31	$315,971	$20,191	$6,003	$301,784
32	$301,784	$19,284	$5,734	$288,234
Total	$301,784	$1,373,967	$408,535	$288,234

This scenario is a hypothetical illustration based on the assumptions you entered via the inputs inside the program. It is to be used solely as a conceptual guide to understand and quantify your planning needs. It would be wise to consider this illustration together with all other information you deem necessary in making your investment decisions. This illustration is not a guarantee of the performance of any specific investment. Actual performance from your investments and assets may vary. This illustration is not legal or tax advice. You should consult with your attorney and accountant to review this information and determine its appropriateness for your particular situation. The provider of this illustration provides no guarantee and assumes no responsibility or liability for the accuracy of the information provided (including whether the interest rate you have selected is in fact "reasonable") or for your reliance based on this information.

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This calculation determines the value of the deduction for a transfer of cash or other property to a CLUT. It shows the future interest gift made to the non-charitable remainderman. It also shows the percentage of principal that is deductible for gift tax purposes.

When a term-of-years CLUT is established, a donor transfers cash or other assets to an irrevocable trust. A charity you select receives variable annuity payments from the trust for the term of years you have specified. That means each year the value of the trust's assets is re-determined. Although the charity will continue to receive the same percentage of the trust's assets each year, as the total value increases, the charity receives more. If the value of the trust's assets fall, the charity will receive less. For example, if the trust is worth $1,000,000 when you create it and you've given the charity a 6% annuity, it will receive $60,000 in the first year. If the trust doubles in value in the second year, the charity will still receive 6% - but of $2,000,000, i.e., $120,000. Of course, if the value of the trust in the third year falls to only $500,000, the charity receives 6% of $500,000, $30,000.

When the trust ends, assets in the trust will pass to the non-charitable remainderperson or persons you have specified. Although this party is usually a child or grandchild, it can be any person you select - including someone who is not legally related to you.

You can set up a CLUT during your lifetime or at death as a form of bequest. Both corporations and individuals may establish lead trusts.

You can set up a CLUT so that you will receive an immediate and sizeable income tax deduction. In the second and following years, you must report the income earned by the trust even though it is actually paid to the charity in the form of an annuity.

What is the advantage of a trust that produces a high deduction in the first year but requires you to report income you don't receive in later years? One advantage is the acceleration of the deduction. For example, suppose you have just won the lottery, closed an incredibly large case, or sold a very highly appreciated asset. Perhaps you reasonably expect that in future years, your income will drop considerably. It's good planning to have a very high deduction in a high bracket year even if you have to report that income in lower bracket years. You are spreading out the income (and the tax) over many years.

Another advantage of the CLUT is that it allows a "discounted" gift to family members. Under present law, the value of a gift is determined at the time the gift is made. The family member remainderman must wait for the charity's term to expire; therefore, the value of that remainderman's interest is discounted for the "time cost" of waiting. In other words, the cost of making a gift is lowered because the value of the gift is decreased by the value of the annuity interest donated to charity.

When the assets in the trust are transferred to the remainderman, any appreciation on the value of the assets is free of either gift or estate taxation in your estate.

Many people of wealth set up CLUTs at death through their wills. The present value of the charity's annuity stream is deductible for estate tax purposes. Since your heirs don't pay estate taxes on the charity's portion, the money that otherwise would have been paid in estate taxes can instead be invested. During the term of that trust, increased investment income can help pay for the fixed annuity promised to the charity - and if there is any "surplus", that extra income can be compounded for your heirs and pass to them - gift tax free - when the trust ends.