



Phillips Academy  
**ANDOVER**

## Charitable Lead Trust

### Overview:

A charitable lead trust (CLT) may be a good program for you if you would like the capital value of marketable or income-producing assets to remain in your family but can afford to give the asset's income stream to Andover for a period of time. Charitable lead trusts can be used to transfer assets to children or others at a significantly reduced tax liability.

The trust makes a fixed payment each year to Andover for a specified term, measured either by someone's life or a selected number of years. After the trust term ends, the assets of the trust are either returned to you or passed on to children or other loved ones. If the assets are to be returned to you, you receive an income tax deduction when the trust is created. If the assets are passed on to heirs, applicable estate or gift taxes on the value of the gift are reduced or completely eliminated.

The tax savings from a charitable lead trust may allow you to provide significant support for Andover at little or no cost to heirs in terms of ultimate inheritance.

- Assets are put in trust with Andover receiving the "lead" because the trust makes payments to Andover first and then the remaining assets are returned to
  - your family or other designee (non-grantor trust)
  - you (grantor trust)
- You can choose the trust's term (usually 10-20 years) and the trust's pay-out rate
  - allowing you to specify the timing of this piece of inheritance
- Can be created during your lifetime or under your will
- Lead trusts can often be funded with cash or highly-appreciated marketable securities
- The trustee of a lead trust can be Andover or the donor; Andover has trusts of both types.
- A lead trust can be used to provide support for capital projects, endowment funds and current use costs.

A charitable lead trust can be a powerful tool in gift and estate tax planning, but the technical complexities require careful consideration. Our office is glad to work with you and your financial advisors to see if a charitable lead trust is the right plan for you.

**Questions, letters, and e-mails** to Grace E. Curley '81, P'20, director of gift planning, at:

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