

The “Daily Plan-It™”

ESTATE & BUSINESS LAW GROUP, P.C.

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Help a Charity, Keep a Deduction & Transfer an Asset to the Kids

(This is the final installment in a six-part series of powerful planning strategies that will help your clients take advantage of a down market and protect wealth.)

Here’s one more great strategy that can help protect your client’s wealth during a down economy. The Charitable Lead Annuity Trust (CLAT) pays a set dollar amount annually to a charity of your client’s choice, while possibly providing your client with a deduction. When the trust expires, your client’s family receives the asset that funded the trust.

Who can use this strategy?

This strategy is a good idea for those who don’t need an asset’s income, have desire to help a charity, but ultimately want to transfer the asset to their loved ones.

A CLAT is basically the opposite of a Charitable Remainder Trust. Once funded with assets, the income is paid to the charity for a period of time. Upon termination of the trust, the asset transfers to your client or your client’s heirs.

Here’s a simple example:

Dad put \$500,000 worth of stock into a 20-year CLAT that provides \$45,000 a year to a charity to pay for scholarships. The stock’s annual earnings increase the value of the trust. After 20 years, the initial principal and any growth will transfer to Dad’s son and daughter.

For gift tax purposes, only the remainder interest (what the IRS projects Dad’s trust to be worth at the end of 20 years) is subject to tax.

The benefits for Dad:

1. He makes an immediate impact for a charity.
2. He substantially reduces estate and gift taxes.

What’s the next step?

While this example was an oversimplified discussion, I believe a CLAT can be an attractive and successful strategy to protect wealth during difficult economic times. It pays out a handsome donation to a charity – sometimes for decades – while still protecting the asset it holds for heirs.

Advise your clients the following:

1. To protect their lifestyle, they must be certain that they won’t need the asset’s income.
2. Carefully structure the CLAT so that its assets will not be entirely depleted by the end of the designated term.

I hope the information in this six-part series of planning strategies was useful to you and helps your clients and their families. If you have a specific case or a question, please don’t hesitate to call our office. As always, feel free to call me for further advice or to share your ideas.

Workshop Schedule

The Truth About Estate Planning Fundamentals of Proper Planning

Cost: no charge
Time: 7:00 to 9:00 p.m.
usually on a Tuesday night

Dates & **Registration:** Contact Mary Lang at (847) 367-4460

The Truth about Estate Planning, LHS Adult Education

Cost: small fee
Time: Tuesdays 7:00 to 9:00 p.m.
usually on a Tuesday night

Dates & **Registration:** Contact Mary Lang at (847) 367-4460

For online information about Estate Planning,
please encourage your clients to visit us at
<http://eblawgroup.com>



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We invite you also to visit
beaconbridge.com for resources on
Business Exit & Succession Planning.