



Office of Advancement

Charitable Lead Trust

A Charitable Lead Trust (CLT) similar to a Charitable Remainder Unitrust, is a separately invested and managed charitable trust that pays a percentage of its principal (re-valued annually). However, instead of payments being made to you and/or other named income beneficiaries for life or a term of years, payments are initially made to the Colleges for a certain number of years during your life at which point, the principal is then passed to your children or other heirs.

Similar to other types of life income gifts made to charity, with a CLT you irrevocably transfer assets to a trustee that will manage the investment and make the payments. A notable benefit of a Lead Trust is that you're able to see the impact at the Colleges during your lifetime while having peace of mind that you're also providing for your family's future.

Additionally, a CLT is another way to reduce tax costs for transferring assets to your heirs, as well as reducing possible capital gains taxes if the gift is made with appreciated securities. The principal that is ultimately passed to your children or other heirs at the end of the term is often at a greatly reduced gift and estate tax cost, potentially lessening or even eliminating the tax burden on those recipients.

Is a CLT right for you?

A Charitable Lead Trust could be the right gift if you:

- have substantial assets which are not needed for your own immediate financial security
- would like to provide for your family or other heirs as generously as possible
- would like your gift to provide support today to the Colleges, making an immediate impact
- want to reduce your income gift and estate taxes and probate cost
- wish to preserve the value of your estate, or reduce your income tax

How does it work?

- You irrevocably transfer cash, securities, or other property to the trust
- Each year, during its terms, the trust pays a percentage of its value or a fixed amount to the Colleges
- At the end of the term, the trust transfers the remaining principal and appreciation to the heirs named in the trust



HOBART AND WILLIAM SMITH COLLEGES

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PREPARING STUDENTS TO LEAD LIVES OF CONSEQUENCE

What are the benefits?

- You make a substantial gift to HWS and see the immediate impact
- You pass the remaining principal to your heirs at greatly reduced gift and estate taxes
- You benefit from professional management of the assets during the term of the trust
- You are not taxed on the annual income generated, (though you also do not receive an income tax deduction each year)
- You enjoy a gift tax deduction at the time gift (equal to the present value of the Colleges' interest income)

Specific Tax Implications of a CLT

Please note, you should always check with a professional advisor and /or attorney for specific decisions and potential tax consequences.