

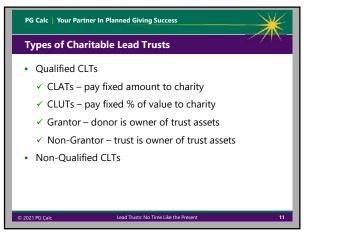
Lead Trus			based on	Form 5227s	filed in 20	12
	Size of end-of-year book value of total assets (in \$1,000s)					(in \$1,000s)
Item	Total	Under \$500,000	\$500,000 under \$1,000,000	\$1,000,000 under \$3,000,000	\$3,000,000 under \$10,000,000	\$10,000,000 or more
CLT Number of returns	6,498	2,658	1,406	1,353	757	324
CLT Total net assets	23,705,416	413,545	995,305	2,266,958	4,048,280	15,981,328

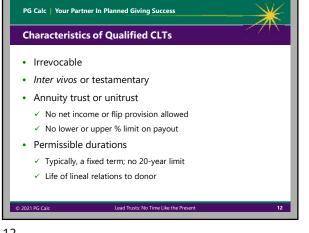


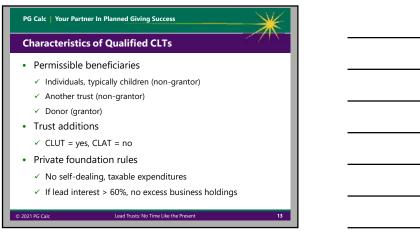
	[Estim		samples-	tions, by Type -money amou	nts are in		dollars]	PIFs
_	Num	Amount	Num	Amount	Num	Amount	Num	Amount
Total	27,992	\$3,065,001	10,084	\$1,905,209	17,348	\$1,119,219	561	\$40,573

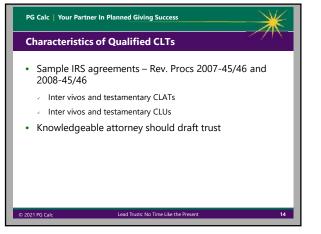












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Non-Grantor Lead Trust Offers Double Leverage

Non-grantor charitable lead trust

- 1. Generous gift tax deduction in year lead trust created (CLAT)
- $\ \ 2. \ \ {\rm Growth \ within \ CLT \ escapes \ all \ transfer \ tax}$
- CLT pays tax on income in excess of payments to charity
 ✓ Character of income taxed proportional to income earned
- CLT inherits donor's basis, remaindermen inherit CLT's basis
- If grandchildren, GST applies; GST planning much easier with CLUT than CLAT

Lead Trusts: No Time Like the Present

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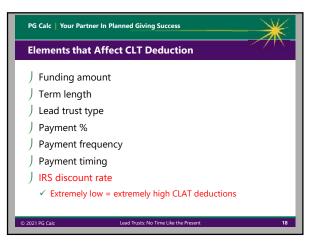
Federal Gift and Estate Tax Basics

- Federal gift and estate are unified
- Gift and estate tax rate is 40%
- Lifetime exemption is \$11.7 million in 2021
 - ✓ Indexed for inflation
 - ✓ Portability means \$23.4 million for a married couple
 - $\checkmark\,$ About 0.1% of estates pay federal estate tax
- Exemption scheduled to decrease by ~half in 2026
 - ✓ Biden has proposed decrease to \$3.5 million (2009 level)
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Federal Gift and	Estate Tax Example	2//
	t in 2000. Paid \$47,250 estate settled in 2021) gift tax
Estate in 2021 Prior taxable gi Taxable estate	fts	\$15,000,000 + <u>\$800,000</u> \$15,800,000
Tentative tax (2	021 estate tax table)	\$6,265,800
Less 2021 estat and prior gift ta Estate tax paic	ax paid	- \$4,625,800 - <u>\$47,250</u> \$1,592,750
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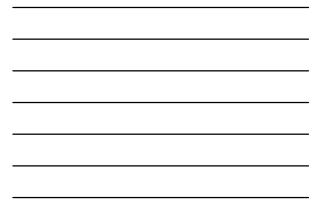


ct of AFR on C	LAT Deduction	
	20-year CLAT	
RS Discount Rate	Deduction % for 5% CLAT	100% Deduction Payout Rate
0.6%	94.0%	5.32%
1.0%	88.4%	5.54%
2.0%	81.8%	6.12%
3.0%	74.4%	6.72%
4.0%	68.0%	7.36%
5.0%	62.3%	8.00%
6.0%	57.3%	8.72%

ect of AFR on CLAT Deduction						
CLAT: Percen	t of Con	tribution	Deductible	e @ 0.6%		
Payout Rate		Trust Terr	m in Years			
	10	15	20	25		
5%	48%	72%	94%	100%		
6%	58%	86%	100%	100%		
7%	68%	100%	100%	100%		
8%	77%	100%	100%	100%		
9%	87%	100%	100%	100%		
10%	97%	100%	100%	100%		
11%	100%	100%	100%	100%		

-		
-		

ct of AFR on C	LUT Deduction	
	20-year CLUT	
RS Discount Rate	Deduction % for 5% CLAT	100% Deduction Payout Rate
0.6%	63.9%	n/a
1.0%	63.8%	n/a
2.0%	63.4%	n/a
3.0%	63.0%	n/a
4.0%	62.7%	n/a
5.0%	62.3%	n/a
6.0%	62.0%	n/a



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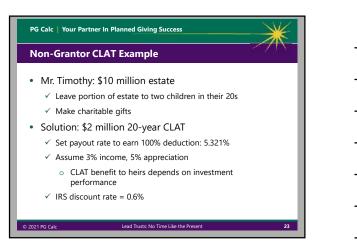
Donor Profile – Non-Grantor CLT

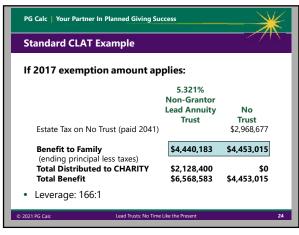
- Net worth in excess of gift and estate tax exemption
 - ✓ \$15 million? \$30 million? \$60 million?
- Goals
 - $\checkmark\,$ Pass assets to heirs at low tax cost and give to charity
- Typical donor ages
 - ✓ 30s 50s: entrepreneurs, hedge fund, Wall Street
 - ✓ 60s +: accumulated wealth to pass to kids/grandkids
- Own assets expected to appreciate exceptionally

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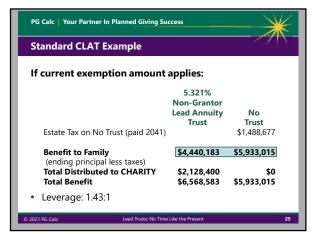
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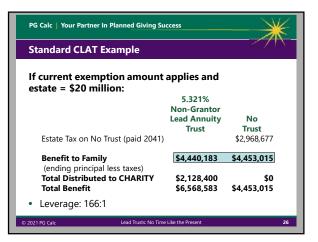




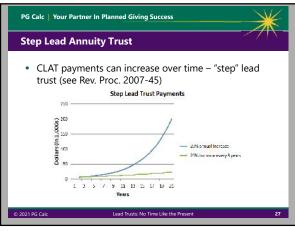








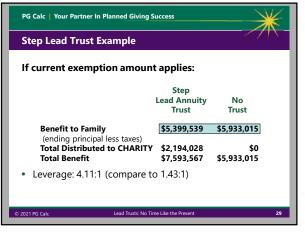








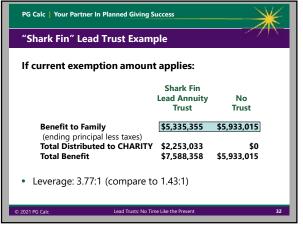




	ead Trust		
"Shark fin"	trust - extrem	e form of step	lead trust
		until final year, t	nen one very
large pay			
	"Shark Fin" or "Ballo	on" Payment Schedule	
\$9,000,000 O-			9
\$8,000,000		٨	
\$7,000,000		1	
55.000.000		1	
\$1,000,000		- / \	Pages el
\$5,000,000			
\$2.000.000			-
-ar in a start			
\$1,000,000			
		7 8 2 10 1-4	6







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Grantor CLT to Pay Pledge

Grantor lead trust

- ✓ Donor earns income tax deduction for present value of lead trust payments
- ✓ Deduction limited to 30% of donor's AGI, whether funded with cash or long-term capital gain ("for the use of," not "to")
- ✓ Deduction limited to 20% when funded with Itcg and payments go to private non-operating foundation
- ✓ All income earned during trust term is taxable to donor
- $\checkmark~$ Remaining assets returned to donor (grantor) at end of trust term

Lead Trusts: No Time Like the Present

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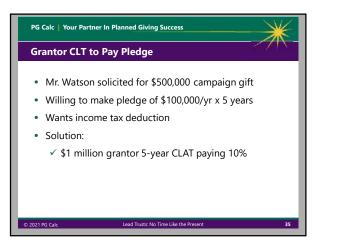
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Donor Profile – Grantor CLT

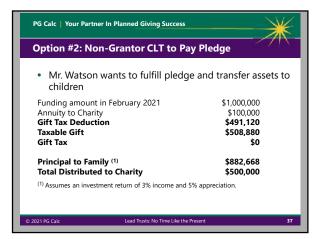
- Top federal income tax bracket
- Enough wealth to "loan" gift asset for trust duration
- Goals
 - ✓ Offset income in specific year and gift to charity
 - ✓ Fulfill multi-year pledge
- Donors of wide age range
 - \checkmark Significant cash event sell business, big bonus, stock sale

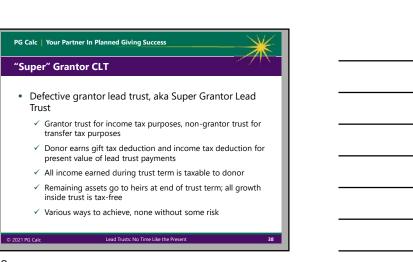
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✓ Major gift donors



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Option #1: Grantor CLT to Pay Ple	dge
Mr. Watson wants to fulfill pledge a deduction in year of gift	nd receive income tax
Funding amount in February 2021 Annuity to Charity Income Tax Deduction Income Tax Savings (37% bracket)	\$1,000,000 \$100,000 \$491,120 \$181,714
Total Income Tax Paid by Donor	\$69,994
Principal Returned to Donor ⁽¹⁾ Total Distributed to Charity	\$882,668 \$500,000
⁽¹⁾ Assumes an investment return of 3% income and 5	% appreciation.
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Option #3: "Super" Grantor CLT to	Pay Pledge
 Mr. Watson wants to fulfill pledge deduction, and transfer assets to 	
Funding amount in February 2021 Annuity to Charity Gift Tax and Income Tax Deductions Taxable Gift Gift Tax Income Tax Savings (37% bracket)	\$1,000,000 \$100,000 \$491,120 \$508,880 \$0 \$181,714
Total Income Tax Paid by Donor	\$69,994
Principal to Family (1) Total Distributed to Charity (1) Assumes an investment return of 3% income and 55	\$882,668 \$500,000 % appreciation.
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PG Calc | Your Partner In Planned Giving Success Conclusion

- Non-grantor CLTs: tax-efficient way for wealthy donors to make big charitable gifts and transfer assets to heirs
- Grantor CLTs: an attractive way for major donors to fulfill a pledge
- Extremely low IRS discount rate: makes CLATs especially attractive right now
- Possible reduced estate tax exemption / increased estate tax rate: could motivate lead trust donors to act in 2021

Lead Trusts: No Time Like the Present

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