Enhanced Charitable Trust

Strategy Summary

Provide a legacy to charity and loved ones while generating a substantial current charitable income tax deduction

What is an Enhanced Charitable Trust (ECLAT)?

An Enhanced Charitable Trust is a type of charitable lead annuity trust (CLAT) that provides a small annual income to a charity followed by a large final payment to both charity and family. To truly leverage the charitable gift, a life insurance policy is used within the trust.

Why Establish an Enhanced Charitable Trust?

- Charity receives both an annual income and significant final payment
- Donor can transfer assets out of his/her estate and transfer wealth to loved ones
- Donor receives an up-front federal charitable income tax deduction
- ECLAT offers flexibility to tailor the trust to meet both the donor's needs and those of the charity

What are the Advantages Offered by an Enhanced Charitable Trust?

- The donor has the flexibility and control in deciding how much the charitable beneficiary receives. This will also determine the charitable income tax deduction.
- The charity and donor's beneficiary/ies receive a guaranteed death benefit from the life insurance inside the ECLAT. The charitable deduction for the donor may also be maximized because the leverage it provides would allow the donor to designate a substantially larger final payment to charity.
- The donor is able to leverage life insurance within the ECLAT and transfer wealth to the next generation by removing the asset from the donor's estate and minimizing gift tax implications which could be offset with donor's lifetime gift tax exemption.

Taxable Gift = Gift to ECLAT – Charitable Deduction

Who are the Ideal Candidates?

- Recipients of a large amount of taxable income such as sale proceeds of real estate or a business, or a lump-sum bonus or commission check
- Retirees with large balances in an IRA, annuity or qualified plan
- Affluent individuals who will not need the asset during life and desire to transfer it to their children
- High-net-worth individuals who are concerned about estates taxes

Example: Dan Jones

Dan received an additional $1 million of income this year.

Objective: Dan is concerned about estate taxes and wants to ensure that he can pass on a legacy to his children as well as to charity.

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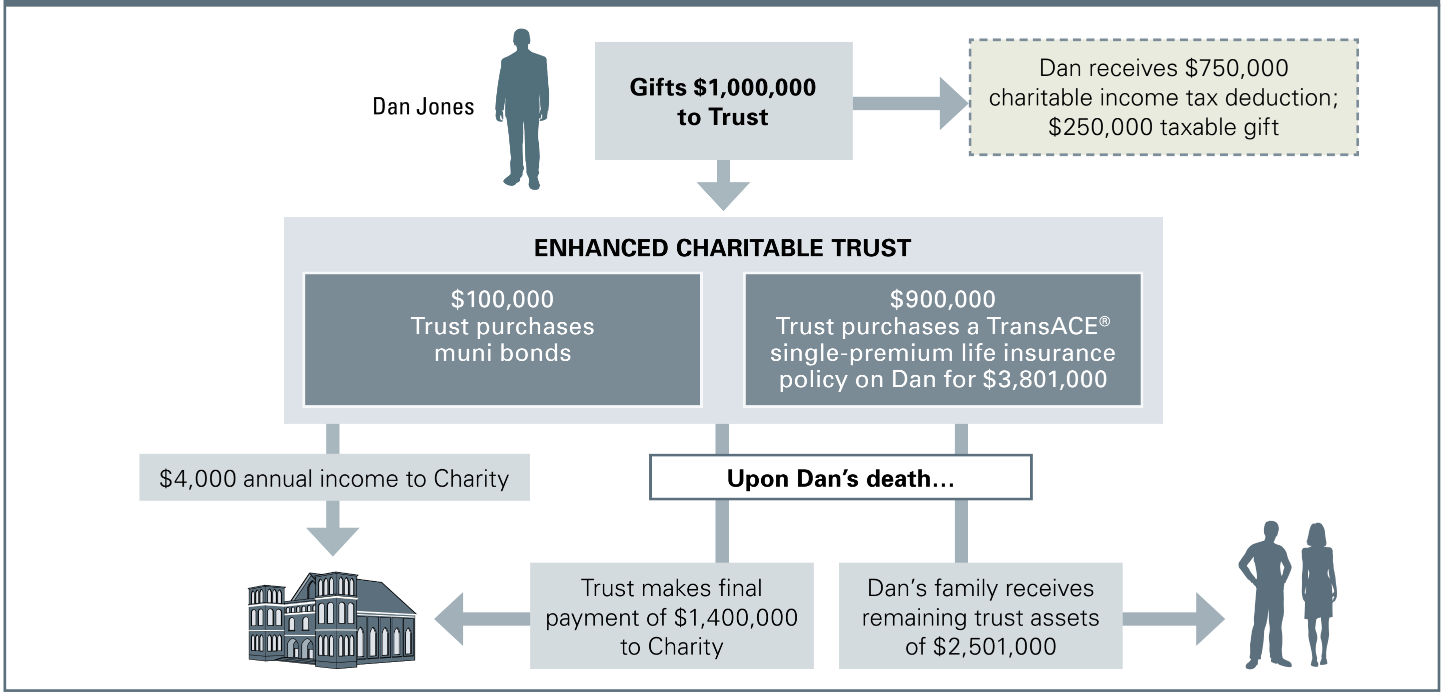
Here's how the Enhanced Charitable Trust strategy works:



Summary and Outcome for Dan Jones

During Dan's lifetime	Gift amount to the ECLAT	$1 million
	Charitable income tax deduction	$750,000[1]
	Taxable gift	$250,000
	Amount to municipal bonds	$100,000
	Amount to life insurance policy	$900,000
	Death benefit	$3,801,000[2]
	Annual income received by charity	$4,000
At Dan's death	Final payment received by charity	$1,400,000
	Amount Dan's family receives	$2,501,000[3]

[1]Based on a Section 7520 rate of 3.4%. The charitable deduction is limited to 30% of AGI with a 5-year carry-forward, but could be further limited if capital gain property is gifted or for a non-public charity.

[2]Based on a 60-year-old male, preferred non-smoker, single premium TransACE® universal life insurance policy.

[3]The family receives the remaining trust assets ($2,401,000 from policy proceeds and $100,000 of municipal bonds)

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