Provided by Hesston College in association with Everence Foundation

Charitable Lead Trust

A way to provide for everyone you care about

A charitable lead trust is a unique tool that allows Hesston College to use an income-producing asset to support charity and save taxes, but still allows you to retain the asset principal yourself or pass it on to those you care about.

How it works

A charitable lead trust is a trust set up to pay income to Hesston College for a predetermined period of time that you select. You pay no tax on the income. The trust principal is then paid to beneficiaries named by the donor.

The term "lead trust" comes from the fact that charity leads the beneficiaries by getting income first, before anything goes to individuals. A charitable lead trust is not a tax-exempt trust, so the sale of an appreciated asset will trigger capital gains.

Here are several important points to consider:

- Only income-producing assets should be put into the trust. Examples are cash, stocks, bonds and real estate.
- The trust can be set up for any period of time. Income can be paid to charitable organizations for a period of years such as 10, 15, 20 years or longer.
- Everence Foundation is experienced in setting up and administering lead trusts and provides tax computations. Everence Trust Company can serve as trustee.
- The income must be paid to tax-exempt organizations like Hesston College.
- The trust must pay a guaranteed annuity or a unitrust interest to qualify for tax benefits. Income must be either a fixed dollar amount or a fixed percentage of the fair market value of the trust principal, and it must be paid annually.
- There are federal income tax benefits. With a grantor trust* (trust principal returns to the owner), the donor claims an immediate charitable tax deduction for the present value of the income to be paid to charity. The donor pays income tax on the trust income paid to Hesston College. With a nongrantor trust (trust principal goes to beneficiaries), the donor claims no immediate charitable contribution deduction, but the donor does not pay income tax on the trust income paid to Hesston College.

Advantages

- **Use trust income to support charities.**
- **Avoid taxes on the trust income.**
- **Provide for loved ones.**
- **Select any trust duration.**

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- There may be federal gift and estate tax consequences. The loss of use of the income for the family creates a devaluation of the principal of the trust for tax purposes. Generation-skipping transfer tax rules may apply on transfers to children.

What you receive

You can support us but still retain control of the asset principal. You control how long the trust will remain in effect, and you choose who will be the beneficiaries when the trust ends. You will qualify for either immediate or future tax benefits, depending on how the trust is structured.

What Hesston College receives

We are delighted to receive donations from charitable lead trusts. We depend on the generosity of donors like you. Receiving income from a charitable lead trust gives us a dependable source of income we can plan for and count on for a specific period of time.

A case study

Harold and Rachel Harder own $100,000 in bonds that produce steady income but have not appreciated greatly in value over the years. They do not need the income for living expenses, and it generally goes into a savings account each year. They have supported a mission relief agency for many years out of their current income. They also have three grandchildren for whom they would like to provide education support.

Harold and Rachel's Everence Foundation representative showed them how they could use the income from the bonds to support their favorite charity and avoid paying income taxes. Because their oldest grandchild will start college in seven years, they set up the trust to terminate at seven years. At that time, the trust principal will be divided equally between their three grandchildren.

Act today!

Contact us and we'll show you exactly how a charitable lead trust can work for you.

*If the donor dies before the trust terminates, the trust is taxed. The value of the donor's reversionary interest is included in the donor's gross estate.

Note: This information should be used only for preliminary guidance. Donors should consult their attorneys and accountants.

Investments and other products are not NCUA or otherwise federally insured, may involve loss of principal and have no credit union guarantee.