How a Charitable Lead Unitrust Works

The donor transfers an asset to the trustee of a Charitable Lead Unitrust (CLUT). Each year thereafter, the trust pays a fixed percentage of the trust assets (revalued each year) to selected charities.

At the end of the term of the trust, the remaining assets pass to the donor's heirs, spouse or sometimes back to the donor, if living.

DONOR Transfers asset to CLUT. Receives income tax deduction.¹

CLUT

 Trustee pays a fixed percentage of the trust value each year to the selected charity for the term of the trust.

CHARITY OF CHOICE

 Receives fixed percentage of the trust assets each year.



After the trust is terminated the remaining trust assets pass to the person or persons selected by the donor.

Annual

Payout

FINAL BENEFICIARIES

These beneficiaries could be the donor, if the trust was set to last only a term of years, or it could be the donor's spouse, children, grandchildren², etc., which may also produce an estate tax reduction.

¹ The income tax deduction, allowable only to grantor trusts, may have to be spread over more than one year if it exceeds certain percentage of income limitations.

² Choosing grandchildren (or later descendants) to receive the assets when the trust terminates may trigger the Generation-Skipping Transfer Tax (GSTT).

Disclosure Notice

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