

CPS USA

Charitable Lead Trust – FAQs

A Gift that Comes Back

This brochure is not a solicitation, nor does it constitute tax, investment, or legal advice. Please consult an investment advisor and a tax accountant.

The Main Question

How can I make charitable gifts and also grow my wealth?

1

THE PURPOSE

A lead trust may be a wise solution that allows you to achieve both goals.

2

CHARITY

The trust makes gifts in the amount you specify at the outset to the organization each year for a period of time you determine.

3

INHERITANCE

At the end of the time period, your beneficiaries will receive the assets remaining in the trust.

4

TAX BENEFITS

Because of the charitable gifts made from the trust, little or no estate or gift tax will be due on the amount heirs receive.

5

MORE TAX BENEFITS

You may also lessen the impact of the generation-skipping transfer tax.



WHAT IS A CHARITABLE LEAD TRUST (CLT)?

A Charitable Lead Trust (CLT) allows you to gift assets to heirs at a discounted gift value, and provide a consistent annual gift to a charity. A CLT is an irrevocable split interest trust where one party (a charitable organization) receives an income stream from the trust and another party (typically the grantor's children) receives the remaining trust assets at the end of the income period.

WHAT ARE MY OPTIONS AT THE END OF THE TERM?

The funds in the trust comes back to you or goes to your heirs. If it goes to your heirs, there is an estate tax benefit as well.



- **CAN I CHANGE HOW MUCH IS DONATED?**

Once a trust is setup, it is irrevocable.

- **CAN I CLOSE THE TRUST BEFORE THE TERM?**

No. Since the IRS allows you to claim future tax deduction at the time of setting up the trust, the trust is irrevocable.

- **WHO MANAGES THE TRUST?**

You appoint a trustee who becomes the authorized signer on matters related to the trust and on the account of the trust.

- **WHAT ARE THE RESPONSIBILITIES OF THE TRUSTEE?**

The trustee makes sure the trust files taxes, signs on matters of the trust, and hires an investment advisor.

- **WHAT CAN I INVEST IN?**

There are not many restrictions by the IRS on what the trust can invest in.

- **DO I PAY TAXES WHEN THE TERM ENDS AND ASSETS ARE FREED FROM THE TRUST?**

No, you have been paying taxes along the way. The custodian that is managing your trust's investment account will issue a 1099 like any other investment account on realized gains and dividends.

- **IF MY TRUST GOES DOWN IN VALE, DOES IT STILL HAVE TO MAKE THE ANNUAL DONATION?**

Yes. The annual donation is a condition for setting up the trust.

- **HOW ARE THE DEDUCTIONS CALCULATED?**

The grantor can claim an income tax deduction equal to the present value of the promised income stream to charity.

- **WHAT ARE THE COSTS?**

Generally ,there will be legal costs to setup the trust, annual accounting cost for the tax return, and any investment management fee.

- **HOW DOES A CLT HELP CPS USA?**

A CLT can act as a cash gift to CPS USA while providing tax advantaged planning to you and your heirs. Cash gifts will support Quran distribution and da'wah activities of CPS USA.

- **HOW LONG WILL MY CLT LAST?**

There is no minimum or maximum term for your Charitable Lead Trust under federal law, although applicable state law may require such a trust to end eventually (typically after several decades). However, if you want to maximize the benefit to CPS USA and minimize transfer taxes, we can help you determine the optimum term to accomplish your goals by connecting you with a full-service wealth planner and advisor. Generally, the longer the term, the lower the taxable gift to your remainder beneficiaries and the higher the benefit to CPS USA.

- **CAN I ESTABLISH A CLT FOR LESS THAN \$100,000?**

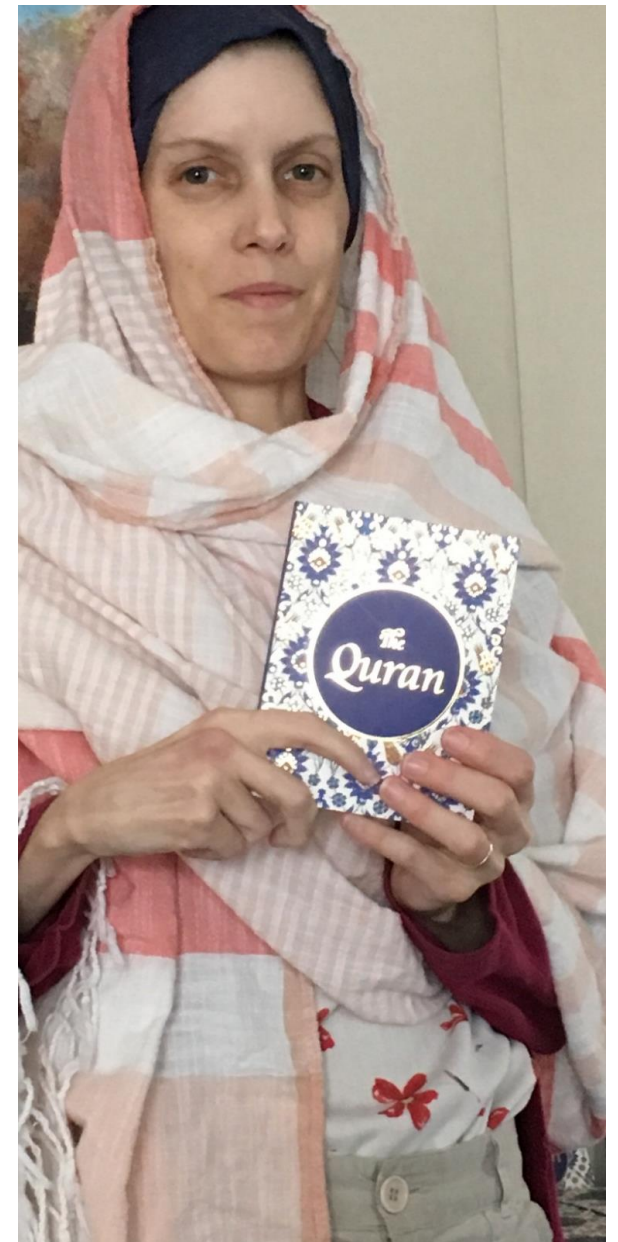
Yes, although the higher the amount the greater the potential tax benefit and growth. There isn't a minimum by law, but given the costs, it may make sense at \$100K and above.

- **APART FROM CLT, ARE THERE OTHER PLANNING VEHICLES WHICH COULD BE USED TO SUPPORT CPS USA?**

Yes. There are many financial tools available to support CPS USA such as Revocable Living Trust, Irrevocable Life Insurance Trust, Charitable Remainder Trust, Donor Advised Fund, Private Family Foundation, etc.

- **ARE THE ANNUAL PAYMENTS TO THE CHARITABLE ORGANIZATION ALWAYS THE SAME?**

That depends on how the trust is structured. You decide the amount and timing of the trust payments at the time the trust is created. They can be a fixed amount or a percentage of the value of the trust assets as determined each year.





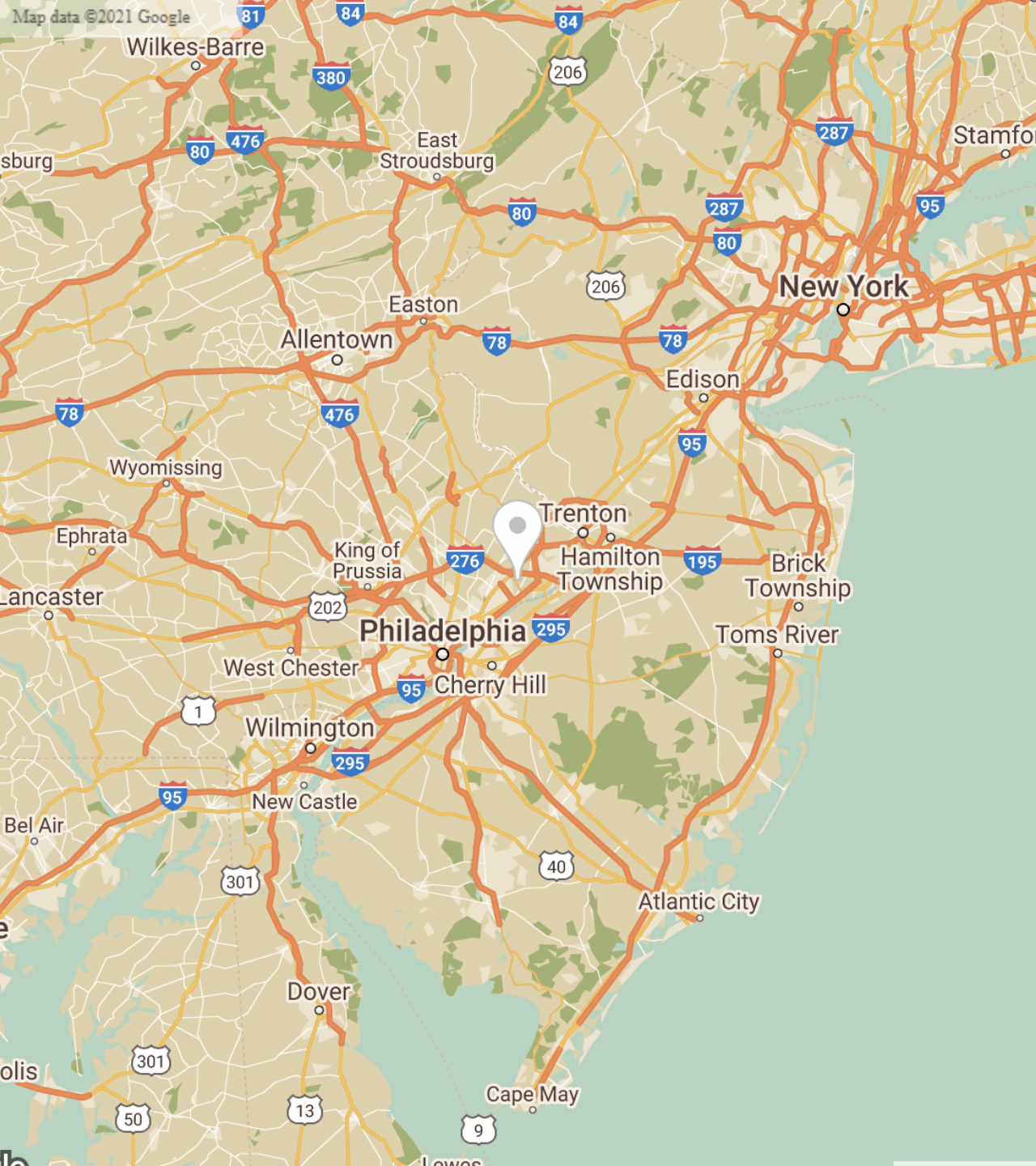
WHO MANAGES THE ASSETS IN A LEAD TRUST?

While the lead trust is in existence, the property placed in it is managed by a trustee chosen by you at the time the trust is created. You may appoint another individual such as a family member or a spouse, or a professional trustee. Additionally, the assets can be invested by a licensed financial advisor.

The trust will file a tax return each year, but little in the way of other administration is required to properly manage a charitable lead trust.

HOW DO I GET STARTED SETTING UP A CLT WITH CPS USA?

Charitable lead trusts should be established with the assistance of licensed financial and tax advisors. Trust documents should be prepared by attorneys in consultation with those who will serve as trustee and/or manage the trust assets.



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