



is this the golden age of clats?

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The charitable lead trust has always been a powerful vehicle to balance philanthropic and estate planning objectives. The recent convergence of two factors that are critically important in the planning dynamic for charitable lead annuity trusts (CLATs) create a planning environment that is so favorable for CLATs, it is no exaggeration to suggest that the current period may be the golden age of CLATs, presenting a very interesting planning opportunity for wealthy families. But that opportunity is temporary, since the convergence of these factors is unlikely to continue for very long.

Historically low IRS interest rates

A CLAT is an irrevocable trust that each year over its term will distribute a pre-determined amount to a charitable beneficiary, with the remainder at the end of the trust term distributed to a child or other non-charitable beneficiary. The estate planning objective is to generate a current gift or estate tax charitable deduction that will partially, or even completely, offset the taxable transfer to the non-charitable beneficiary. Since we are talking about the unique planning opportunity that currently exists, we are talking about the charitable gift tax deduction CLATs established during life, as opposed to charitable estate tax deductions for testamentary CLATs.

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