



# CHARITABLE LEAD TRUST VS. CHARITABLE REMAINDER TRUST: A COMPARISON

Charitable trusts can help you create a tax-advantaged reliable revenue stream for yourself or your beneficiaries, all while incorporating your charitable goals into your planning. This helpful reference chart summarizes important factors to consider when considering two types of charitable trusts.

	CHARITABLE LEAD TRUST		CHARITABLE REMAINDER TRUST	
	Annuity (CLAT)	Unitrust (CLUT)	Annuity (CRAT)	Unitrust (CRUT)
<b>Who receives periodic distribution payments during the trust term?</b>	A charitable organization.		Your chosen beneficiaries (which is often yourself).	
<b>Are distribution payments taxable to the recipients?</b>	No — the recipient is a tax-exempt organization.		Generally yes. But there are certain circumstances where your annual distributions might not be taxable.	
<b>Who receives the remainder interest?</b>	Your chosen beneficiaries (which may be yourself).		A charitable organization.	
<b>Are remainder interests taxable to the recipients?</b>	Generally no — they are considered gifts.		No — the recipient is a tax-exempt organization.	
<b>How are annual payments calculated?</b>	Calculated as a percentage of the trust's initial value.	Calculated annually as a percentage of the trust's current value.	Calculated as a percentage of the trust's initial value.	Calculated annually as a percentage of the trust's current value.
<b>Are annual payments fixed or variable?</b>	Fixed	Variable	Fixed	Variable



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<b>Will you (the donor) owe gift taxes?</b>	Assuming you and your spouse are not trust beneficiaries, you will be subject to gift tax considerations when you establish the trust. Gift tax considerations will be assessed on the estimated present value of <i>the remainder interest</i> .	Assuming you and your spouse are not trust beneficiaries, you will be subject to gift tax considerations when you establish the trust. Gift tax considerations will be assessed on the estimated present value of <i>future distribution payments</i> .
<b>When can you take a charitable contribution deduction?</b>	Generally, when you first establish the trust.	
<b>How is the charitable deduction calculated?</b>	The estimated present value of the annual payments, with adjusted gross income (AGI) limitations.	The estimated present value of the remainder interest, with adjusted gross income (AGI) limitations.