Giving to Duke
GIFT PLANNING

Charitable Term Trusts

Providing for your family and Duke's future

Charitable lead trusts allow donors to take a charitable income tax deduction at the time the trust is created, representing the present value of a series of future annual gifts to be made to Duke over the life of the trust. The donor sets: (1) the amount contributed to the trust (usually $500,000+); (2) the annual distribution amount; and (3) the trust term (usually 3-7 years). Because of the accelerated charitable deduction, this trust is ideal for a donor seeking to increase itemized dedutions beyond the standard deduction in any year or to offset a surge in income through a windfall, a bonus or a company sale coinciding with the year of trust creation. All assets contributed to the trust are invested throughout the term and the balance at the end of the trust term reverts back to the donor.

BENEFITS

- An immediate tax deduction accelerated to the first year of the trust for all charitable gifts being made over the life of the trust.
- A source of income to Duke, directed to the area most important to you.
- Almost any type of asset may be contributed; cash and high basis stock are most common because they minimize tax recognition by the donor for trust activities.

HOW IT WORKS

To begin, a donor works with his or her advisors to establish a charitable term trust (technically, a "grantor charitable lead trust") and transfer assets to it. This transaction is irrevocable. At that time, the donor chooses the dollar amount that Duke will receive from the trust each year.

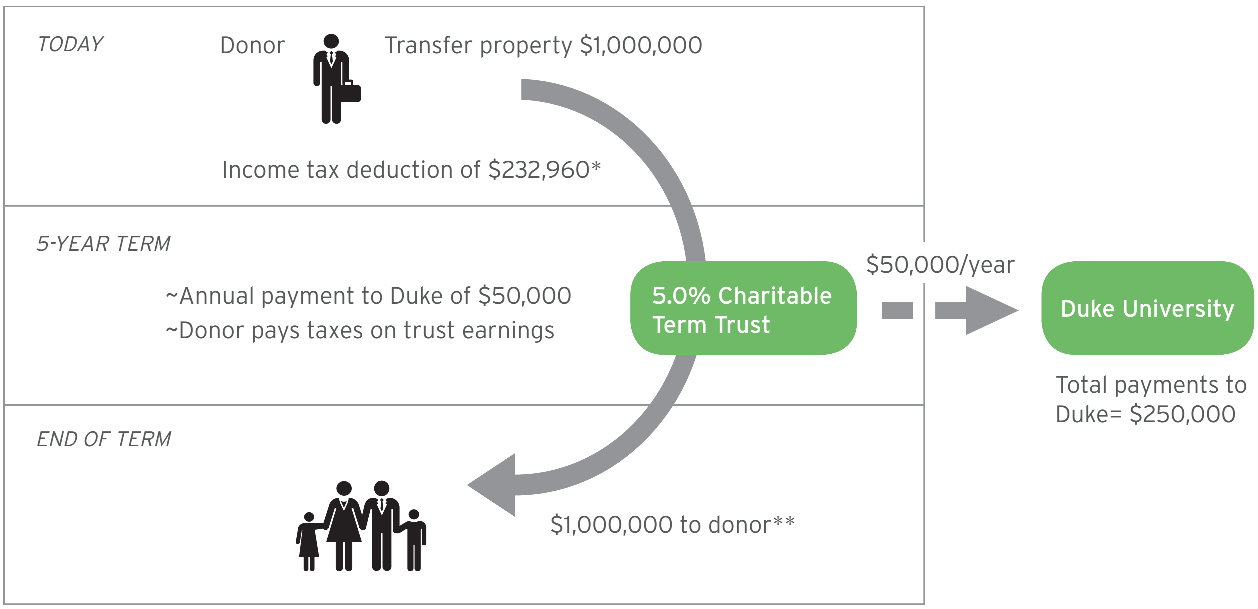
In the year the trust is established, the donor will recognize a charitable income tax deduction equal to the present value of the total annual gifts to be made over the life of the trust. Any deduction that cannot be used can be carried over for an additional 5 years (total of 6 years in which deduction may be recognized).

At the end of the trust's term, all assets in the trust at that time will revert back to the donor's full ownership.

The donor should be aware that the trust is not tax-exempt and that all income realized by the trust will be passed through to the donor for tax purposes—as if the donor was holding and investing the assets directly.

For example, consider a charitable term trust funded with a gift of $1 million in June 2018. The trust will pay Duke a fixed amount of $50,000 (a rate of 5% percent) each year for 5 years. In 2018, the donor is allowed a charitable income tax deduction of $232,960, a potential tax savings of over $86,000*. As the trust assets are invested, the donor will recognize tax on any earnings in the trust as if the donor was holding the assets directly. The donor will receive all remaining assets back at the end of the five-year trust term.

In our example, if the assets have appreciated at 5% each year, at termination the donor will receive approximately the same amount as the original trust contribution. The amount returned by the trust to the donor will vary according to the earnings of the trust.



* Assumption: Donor in the highest marginal federal income tax bracket; state income taxes not considered
** Assumption: The trust investments appreciate at a rate of 5% each year.
The tax impact of a charitable lead trust relies, in part, on an underlying " discount rate" published each month by the IRS. The illustration above relates solely to a lead trust established in June 2018. Please contact Duke's Office of Gift Planning for an updated illustration.

Unleash your inner philanthropist.

Investing in Duke's future can yield invaluable returns to students, faculty, and the Duke community for generations to come. With the help of our expert team, your gift can also be part of your own charitable planning for the future.

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