The death of a loved one causes one of the most profound emotionally turbulent periods during a lifetime. Sleeplessness, weight loss or gain, hopelessness or even an unshakable lethargy are just several of many common side effects experienced among those left to grieve. While the onset of these symptoms often occur quite suddenly, these symptoms frequently take a much longer time to dissipate. The healing process is unique and personal for each of us. Yet it is something we much each go through at some point in our lives.

During a period of mourning, it is typically not a good idea to make significant, life-altering decisions. The stress and raw emotions felt after a death frequently impair our thought process. We make bad decisions. We do things we would not ordinarily do. Knowing this, why would anyone choose to place the burden of dividing up his estate upon a person he loved very much and leave no written dictates?

You can take important steps in helping your loved ones through the healing process even before your death. Talk to your tax accountant, lawyer or financial investor. Develop a planned giving statement, now. Your legacy can be both long lasting and the most generous act you have committed. Do it now.

SHARE

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Charitable Lead Trusts

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What is a Charitable Lead Trust?

When establishing the beneficiaries of an estate many people are increasingly using a trust fund to ensure that both their heirs and their favorite charities benefit. One of the best ways of establishing a legacy is through a trust, an agreement that outlines how your property will be managed and/or disbursed both in life and upon death. When the intention of the benefactor is to gift a charity, typically a Charitable Lead trust is created. By design, a Charitable Lead trust fund aims to reduce taxable income by first donating a specified portion of the trust's funds to charities, such as the Share Foundation. After a specifically named time expires, the remainder of the trust passes to the named beneficiaries. Your lawyer can draft one for you, although a trust is not a suitable alternative to a will.

There are different kinds of trusts. A living trust simply refers to a trust that is created during your lifetime. Another common trust is the revocable living trust. This type of trust allows you to make changes to the terms or specifications in the trust, but only if you are the person who created the trust. With a revocable living trust, you can also revoke the trust at any time. This allows for life changes (marriage, divorce, deaths) or change of heart. It is also possible to draft an irrevocable living trust. There are certain tax benefits to an irrevocable trust. You can move assets to a beneficiary while you are alive to get the asset out of your taxable income. As long as it meets giving guidelines, the recipient does not pay tax either. It is also possible to have someone else manage your assets and distribute them at specified times and in specific ways without giving away the entire trust. In the case of the Charitable Lead trust, funds are donated to charities from the trust until all taxes have been reduced. At this point, the estate is then transferred to the beneficiaries along with a smaller tax bill.

Example

An example of how a Charitable Trust fund might work is: Mrs. Shaw has worked tirelessly as a volunteer at the Share Foundation for the past 18 years. She has seen first hand the difference we make in the lives of the other abled people we serve. She also sees how many more lives we could touch if we only had "more space, more facilities, more help, more money." Mrs. Shaw would like to make a substantial gift to the Share Foundation, but she worries about her only child, J.P. She would like the better part of her assets to go to him upon her death. Her lawyer advises her that a Charitable Lead Trust would be the perfect solution. With the help of her lawyer, Mrs. Shaw establishes a five-year trust with an initial value of $5,000,000 to the Share Foundation. She does stipulate that the funds can only be used on the costs associated with constructing and furnishing a new village, and/or the staff necessary to maintain the program's integrity. The terms of the trust reflect how much will be disbursed, when and how often. If Mrs. Shaw's trust dictates that a total of 10% of the initial value will be paid out to the Share Foundation each January third for five years, then the Share Foundation will receive $100,000 each year for five years. At the end of that period the principle value of the trust will transfer to J.P.

Benefits

Before speaking with your financial advisor or attorney, it is helpful to understand how most trusts are set up. Typically a trust involves a grantor, trustee and a beneficiary. The person, or people, who develop the trust, provides the funding. The trustee is the person who not only holds the title to the trust, but acts upon the specifications in the trust. It is the trustee's job to ensure that the benefits are appropriately awarded to the beneficiary named in the trust. Frequently the grantor will serve as trustee until his or her death, with a corporate trust company or a second person acting in the role after the grantor's death or in the event of a debilitating illness. The beneficiary, as is the case with any number of investments, is the person or people who will receive the designated benefit (typically property or money) from the trust. Keep in mind that a charitable organization, like the Share Foundation, can be designated as a beneficiary. The grantor can even name himself or herself as a beneficiary. The initial beneficiaries do not necessarily have to remain beneficiaries after death. However, upon the death of the grantor of a revocable living trust, most trusts them become irrevocable, where changes are no longer permitted. One of the most attractive benefits of a trust is that it significantly reduces gift and estate taxes typically associated with the disbursement of an estate.