Fall 2026

INSIGHTS

CHARITABLE LEAD TRUSTS

INSIDE THIS ISSUE

Saint Xavier
HIGH SCHOOL

Fall often brings a different rhythm, one that allows space for reflection, family gatherings, and conversations about what matters most in the years ahead. It can be a natural time to think about the future you hope to shape, the values you want to share, and the legacy you wish to leave for those you love and the causes you care about.

For some donors, that reflection leads to an important question: is there a way to support the charitable causes I care about now, while also planning thoughtfully for my children, grandchildren, or other loved ones later?

One option that may help answer that question is a **charitable lead trust**.

A charitable lead trust is a planning arrangement that provides payments to a charity for a period of time, after which the remaining assets pass to family members or other beneficiaries. For donors who have both philanthropic intent and a desire to transfer assets in a **thoughtful and tax-wise** way, a charitable lead trust can be worth exploring.

This issue of the *Insights* Newsletter explains how charitable lead trusts work, why some donors consider them, and what questions to discuss with your attorney, accountant, and financial advisor.

WHAT IS A CHARITABLE LEAD TRUST?

A charitable lead trust is an irrevocable trust that makes payments to one or more charitable organizations for a set period of time. When that period ends, the remaining trust assets pass to non-charitable beneficiaries, often children, grandchildren, or other family members.

In the simplest terms, a charitable lead trust separates the benefit of an asset into two stages:

1. Charitable support first,
2. Family or other beneficiary support later.

That structure is the reverse of a charitable remainder trust, in which income is paid first to non-charitable beneficiaries and the remainder passes to charity later.

WHY DONORS CONSIDER CHARITABLE LEAD TRUSTS

A charitable lead trust may be attractive to donors who want to make meaningful gifts during a specific period of time while also preserving the possibility of transferring remaining assets to family members in the future.

Donors often consider charitable lead trusts when they:

- Want to support a charitable organization over a period of years.
- Are looking for thoughtful ways to transfer wealth to children or grandchildren.
- Want to connect current charitable impact with long-term family planning.
- Hold assets they expect may appreciate in value over time.
- Are interested in strategies that may provide gift or estate tax advantages in the right circumstances.

A charitable lead trust is not a simple arrangement. And while it is not appropriate for everyone, for some donors it can be a powerful way to bring philanthropy and family planning together.

HOW A CHARITABLE LEAD TRUST WORKS

The basic structure is straightforward.

1. A donor transfers assets into an irrevocable trust.
2. The trust makes payments to one or more charitable organizations for a defined term.
3. When the trust term ends, the remaining assets pass to the donor's chosen non-charitable beneficiaries.

The trust term may be measured by a number of years or, in some cases, by one or more lives, depending on the structure used and the donor's objectives.

The amount that ultimately passes to family members or other beneficiaries depends on a number of factors, including the size of the initial contribution, the payment terms, the performance of the trust assets, applicable interest rate assumptions, and the duration of the trust.

TWO COMMON TYPES OF CHARITABLE LEAD TRUSTS

There are two primary ways charitable lead trusts are commonly structured.

1. **Charitable Lead Annuity Trust**
   A charitable lead annuity trust, often called a CLAT, pays a fixed dollar amount each year to the designated charitable organization or organizations.

   This structure may appeal to donors who want predictable annual support for charity and a clearly defined payment amount.

   A charitable lead annuity trust may be attractive because it:
   - Provides a fixed annual payment to charity.
   - Offers predictability from year to year.
   - Can be effective in certain transfer planning situations when asset growth exceeds assumptions.

2. **Charitable Lead Unitrust**

   A charitable lead unitrust, often called a CLUT, pays a fixed percentage of the trust's value each year, based on annual revaluation of the trust assets.

   This means the amount paid to charity may rise or fall over time depending on the trust's value.

   A charitable lead unitrust may be attractive because it:
   - Pays a stated percentage each year.
   - Allows the charitable payment to reflect changes in trust value.
   - May provide flexibility in situations where variable annual support is acceptable.

A Simple Comparison

Feature	Charitable Lead Annuity Trust	Charitable Lead Unitrust
Annual payment to charity	Fixed dollar amount	Fixed percentage of annual trust value
Payment changes over time	No	Yes
Predictability	Higher	Varies
Charitable support during term	Stable	Depends on annual valuation
Possible transfer outcome for remainder beneficiaries	Depends on asset growth and trust terms	Depends on asset growth and annual revaluation

Both structures can be useful. The best fit depends on the donor's charitable goals, the assets involved, the desired trust term, and the donor's broader estate planning priorities.

WHAT ASSETS MAY BE USED?

Charitable lead trusts may be funded with a variety of assets, depending on the donor's planning goals and the advice of professional advisors. These may include:

- cash
- marketable securities
- interests in closely held businesses in appropriate circumstances
- certain real estate holdings
- other assets suitable for transfer and administration through a trust

Some assets, such as cash or publicly traded stock, are relatively simple to use in a charitable lead trust, while others, such as real estate or business interests, may require more careful planning and administration.

WHY SOME DONORS FIND THIS STRUCTURE APPEALING

A charitable lead trust can accomplish several goals at once.

Ongoing support for charitable priorities
The trust can provide annual support to Saint Xavier High School for annual operations, campaign initiatives, or another purpose important to the donor.

Potential transfer of future value to family
If trust assets perform well over time, the amount remaining at the end of the trust term may pass to family members or other beneficiaries in a tax-efficient way, depending on how the trust is structured and on applicable law.

Alignment of family and philanthropic values
Some donors appreciate that a charitable lead trust allows them to make charitable giving part of the family legacy conversation rather than treating it as separate from inheritance planning.

Planning flexibility in the right circumstances
For donors with substantial assets and long-term planning needs, a charitable lead trust may become one part of a broader strategy developed with advisors.

CASE STUDY – *MEET KIM MARTIN*

Kim Martin has supported Saint Xavier High School for many years. She cares deeply about the institution's future, but she is also thinking about her children and the values she hopes to pass along to them.

After talking with her advisors, Kim decides to create a charitable lead trust. She contributes assets to the trust, and for the next twenty years the trust makes annual payments to Saint Xavier High School. Those payments could help support an area she cares about or an institutional priority.

At the end of the trust term, the remaining assets pass to Kim's children. For Kim, the arrangement reflects two priorities at once: making a meaningful commitment to the institution during her lifetime and planning thoughtfully for her family's future.

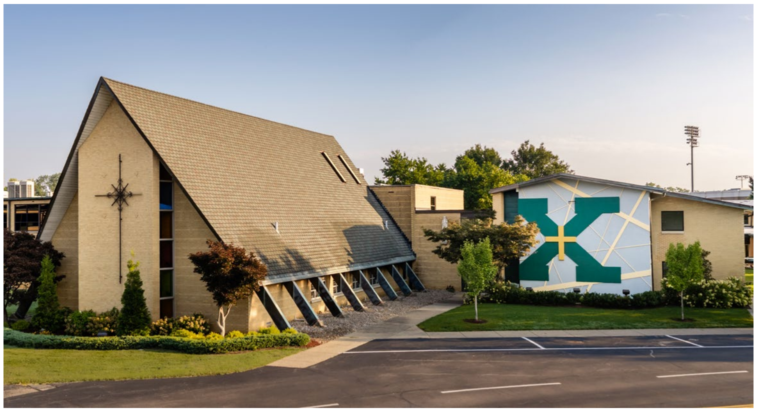
This example is illustrative only. The actual outcome of any charitable lead trust depends on tax rules, interest rate assumptions, trust design, asset performance, and many other variables.

CHARITABLE LEAD TRUST OR CHARITABLE REMAINDER TRUST?

Some donors are familiar with charitable remainder trusts and wonder how they differ from charitable lead trusts. The distinction is important.

Feature	Charitable Lead Trust	Charitable Remainder Unitrust
Who receives payments first	Charity	Donor or other non-charitable beneficiary
Who receives the remainder	Family or other non-charitable beneficiary	Charity
Typical planning emphasis	Wealth transfer and charitable giving during the term	Income planning and charitable giving later
Complexity	Higher	Higher

In short, a charitable lead trust is often considered when the donor wants charity to benefit first and family to benefit later. A charitable remainder trust is often considered when the donor or another beneficiary wants income first and charity is intended to benefit later.



IMPORTANT CONSIDERATIONS

A charitable lead trust can be an effective planning tool, but it requires careful thought and strong professional guidance.

It is irrevocable. Once assets are transferred into the trust, the arrangement generally cannot be reversed.

It is complex. Legal drafting, tax analysis, administration, and investment oversight are all important. This is not a do-it-yourself planning technique.

Results depend on assumptions and performance. Projected outcomes for family beneficiaries depend heavily on trust design, asset growth, and the interest rate environment at the time the trust is created.

It should fit a larger plan. A charitable lead trust should be coordinated with the donor's overall estate plan, family goals, philanthropic intentions, and other financial planning strategies.

QUESTIONS TO DISCUSS WITH YOUR ADVISORS

If a charitable lead trust interests you, these questions may help guide the discussion with your attorney, accountant, and financial advisor:

1. Would a charitable lead trust fit my family and philanthropic goals?
2. Should I consider a fixed annual payment or a percentage-based payment?
3. Which assets would be most appropriate to contribute?
4. How long should the trust term last?
5. What are the potential gift, estate, and income tax implications in my situation?
6. How would this trust fit with my broader estate and wealth transfer plans?

A PLANNING TOOL FOR DONORS THINKING ACROSS GENERATIONS

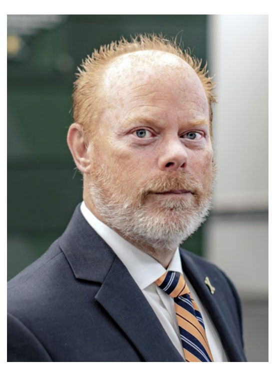
Many charitable gifts are made through a will, a beneficiary designation, or an outright contribution. A charitable lead trust is different. It is designed for donors who want to think across generations, support important charitable work now, and plan intentionally for the future transfer of wealth.

For the right donor, it can be a thoughtful and a significant way to align generosity, family priorities, and long-term planning.

If you would like to learn more about charitable lead trusts or other planned giving opportunities, we would be pleased to speak with you. A conversation does not obligate you in any way, but it may help you better understand the options available to you and your family.

Please return the enclosed reply form or contact me directly at: mlittell@saintx.com or 502-637-8485.

Michael J. Littell Hon. '07



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CONFIDENTIAL

☐ I/We would like more information about charitable lead trusts.

☐ I/We would like information about other charitable planning options.

☐ I/We have already included Saint Xavier High School in my/our estate plans.

☐ I/We would like a representative to contact us.

NAME ____

ADDRESS ____

CITY, STATE ______________________________ ZIP ______________

MOBILE ____

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TO SUBMIT THIS FORM ONLINE,
PLEASE CLICK THE LINK BELOW AND ATTACH TO THE EMAIL.

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