

iCLAT



Traditional Charitable Lead Trusts



- Meet the iCLAT - Help Donors/Clients Benefit From IMMEDIATE Tax Savings for Their Future Annual Gifts

Presented By:
Brad Gornto, JD, LLM
Founder & CEO

iCLAT Solutions, LLC
www.iclat.net
Email: brad@iclat.net
Phone: (844) 464-2528



Let's Get Started.....

First, what is a charitable lead trust (CLT)?

- a trust that makes annual (or more frequent) distributions to charity for a specified number of years, AND THEN
- distributes all of the remaining trust assets to EITHER:
 - (i) the client's family members (outright or in continuing trusts)

OR

- (ii) back to the CLIENT

- *For all the IRS requirements for a trust to be treated as a charitable lead trust, see IRC 170(f)(2)(B) & Treasury Reg. 1.170A-6(a)(1) & (c)(2); which require the term interest of the CLT to be either a “guaranteed annuity interest” or a “unitrust” interest.*



Two Very Different Types of CLTs

Traditional Common “Wealth Transfer” Structure

- Primary Purpose: saving future estate taxes on client’s death
- Complex planning considerations, can also disrupt client’s estate plan
- Significant time and expense necessary to establish

Lesser-Known “Reversionary” Structure

- ONLY Purpose: saving **income taxes in current year**
- Simpler planning considerations
- Minimal time and expense necessary to establish
- iCLAT® is simply another name for a “reversionary” CLAT



Two Very Different Types of CLTs

Traditional Common
“Wealth Transfer” Structure



Lesser-Known
“Reversionary” Structure



Estate Tax Return Data (2018)

- Only 34,092 estate tax returns filed in 2018
- Only raised \$21.8 Billion in Taxes

Income Tax Return Data (2018)

- 153,621,000 income tax returns filed in 2018
- Raised \$1.6 Trillion in Taxes

CONCLUSION:

YOUR DONORS ARE MUCH MORE CONCERNED ABOUT *SAVING CURRENT INCOME TAX SAVINGS* COMPARED TO SAVING FUTURE ESTATE TAXES.



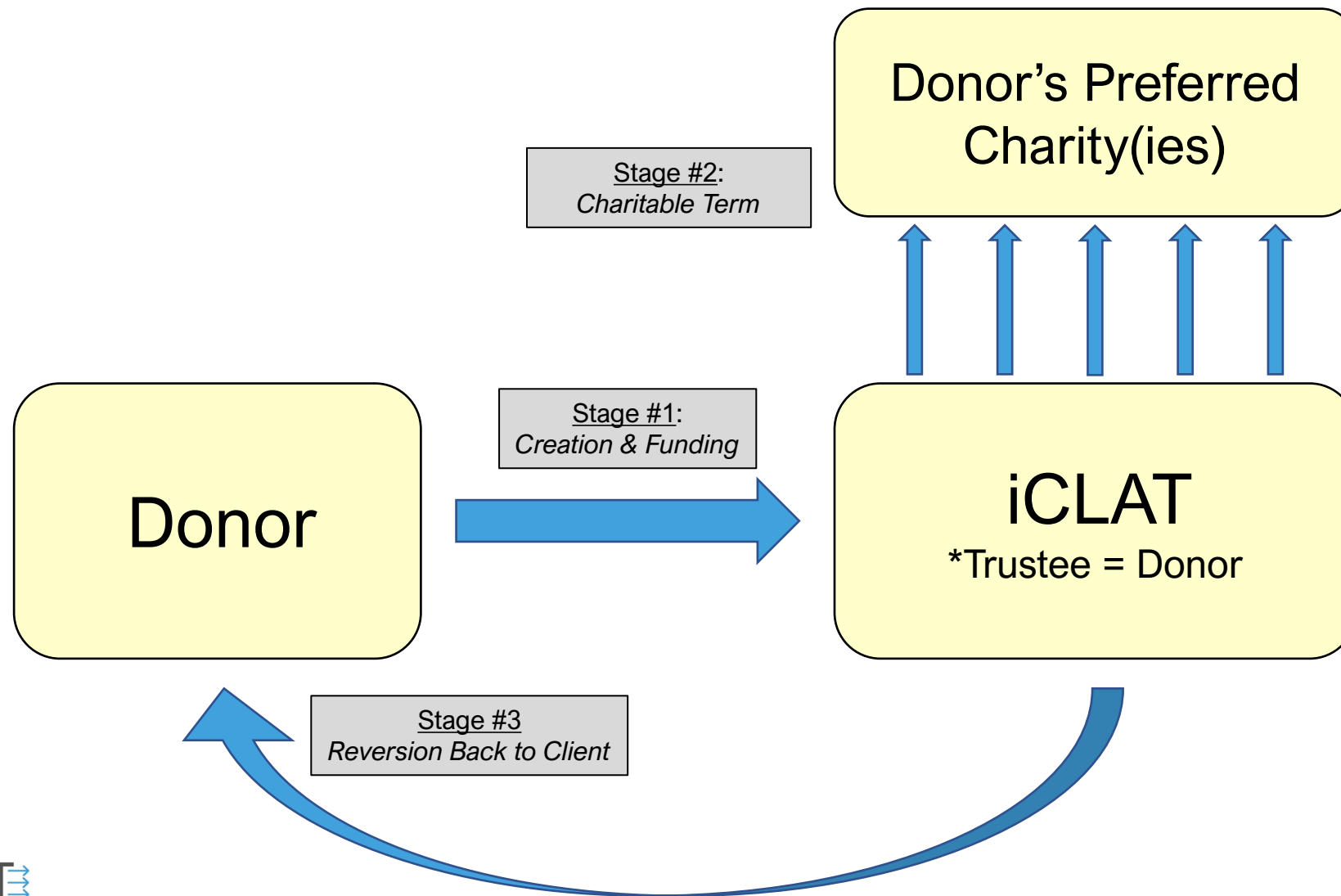
iCLAT



Traditional Charitable Lead Trusts



Basic Structure of an iCLAT: 3 Stages



The Key Benefit of an iCLAT®

- iCLATs generate a VERY large “IMMEDIATE” YEAR 1 charitable income tax deduction for your clients!
 - IMPORTANT: The charitable deduction is based entirely on the “present value” of the annual distributions from an iCLAT!
 - *See Treas. Reg. 1.170A-6(c)(3)
 - The lower the discount interest rate, the larger the immediate charitable deduction generated by an iCLAT.
 - The IRS 7520 Rate remains at historically low levels.
 - The current 7520 rate is only **1.0%**!



IMMEDIATE YEAR 1 Charitable Income Tax Deduction Currently Generated by an iCLAT®

Term of the iCLAT (Years)	<u>ANNUAL</u> Charitable Distributions from iCLAT	<u>TOTAL</u> Charitable Distributions from iCLAT	IMMEDIATE Year 1 Charitable Deduction	% of the IMMEDIATE Charitable Deduction <i>*Compared to total distributions to charity</i>
3 Years	\$25,000/year	\$ 75,000	\$73,524	98.03%
5 Years	\$25,000/year	\$125,000	\$121,335	97.07%
7 Years	\$25,000/year	\$175,000	\$168,204	96.12%
10 Years	\$25,000/year	\$250,000	\$236,782	94.71%
15 Years	\$25,000/year	\$375,000	\$346,626	92.43%
20 Years	\$25,000/year	\$500,000	\$451,138	90.02%



**Based on the IRS 7520 Rate of 1.0% (September 2021 Rate, which remains available through the end of November 2021).*

"iCLAT®" is a registered trademark of Effectual Giving, LLC. All rights reserved.

Two Ideal Donor Scenarios for an iCLAT

- Donor who regularly give at least \$10,000/year to charity(ies), including to their place of worship, donor advised fund and/or private foundation AND

- Ideal Scenario #1:

Spike/Increase “ordinary income” tax event in excess of \$250,000

OR

- Ideal Scenario #2:

High-income (\$350,00 or more) to end due to donor’s retirement or other reasons

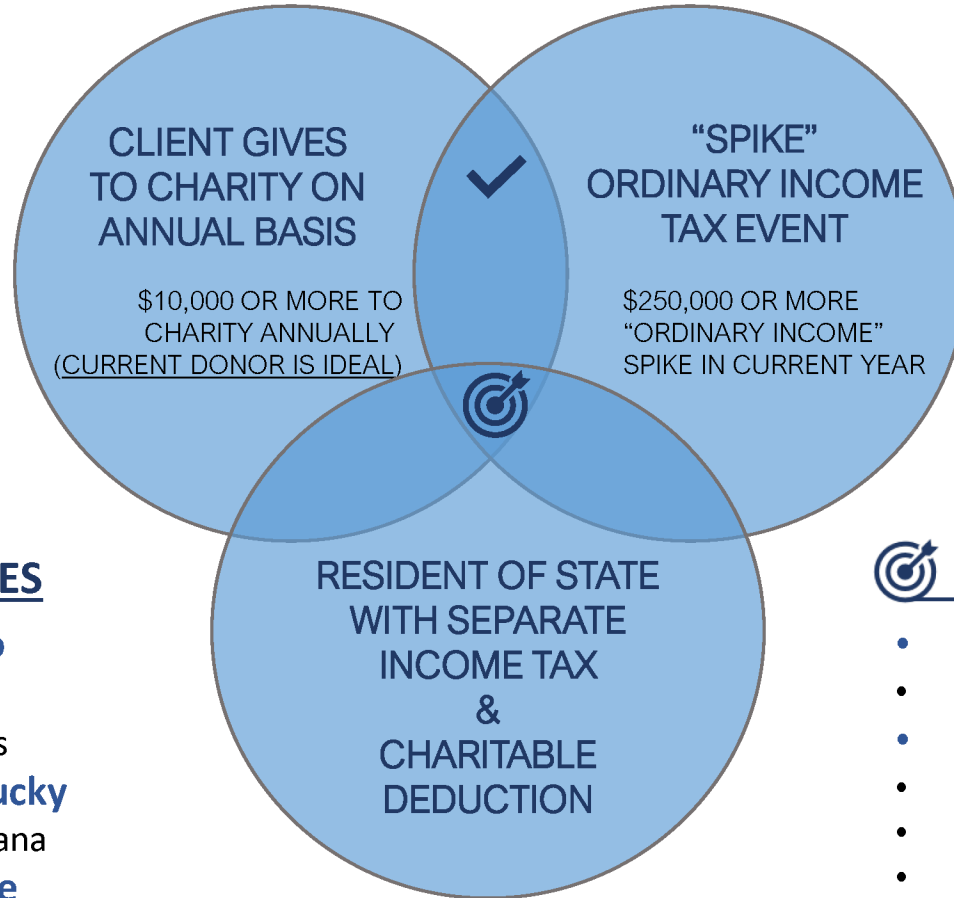




IDEAL FACT SCENARIO #1 – Spike “Ordinary Income” Tax Event in Current Year



IDEAL FACT SCENARIO #1 – Spike “Ordinary Income” Tax Event in Current Year



✓ STATES

- Alaska
- Florida
- Nevada
- South Dakota
- Texas
- Washington
- Wyoming

✓ STATES

- Connecticut
- Indiana
- Illinois
- Massachusetts
- Michigan
- New Jersey
- New Hampshire
- Ohio
- Pennsylvania
- Rhode Island
- Tennessee
- West Virginia

🎯 STATES

- Alabama
- Arkansas
- Arizona
- California
- Colorado
- Delaware
- Georgia
- Hawaii

🎯 STATES

- Idaho
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland

🎯 STATES

- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- New Mexico
- New York
- North Carolina

🎯 STATES

- North Dakota
- Oklahoma
- Oregon
- South Carolina
- Vermont
- Virginia
- Utah
- Washington DC
- Wisconsin

For a Free Customized iCLAT® Illustration
Please Contact Us At
info@iclat.net or (844) GO-iCLAT
www.iclat.net

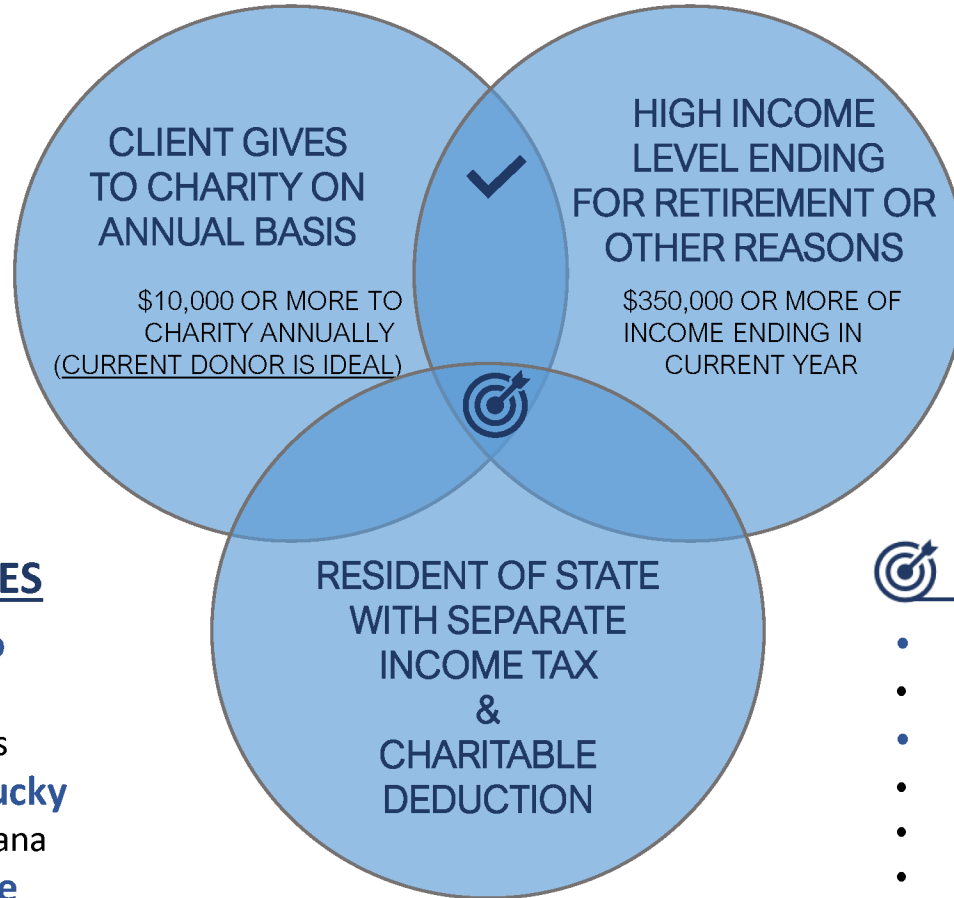
Scenario #1: HERE'S WHAT TO LOOK FOR...

Common Examples of Spike “Ordinary Income” Events

- Wages & Bonuses
- ROTH IRA Conversions
- RMDs and other distributions from IRAs, 401ks, and other retirement plans
- Deferred Compensation Payouts
- Severance Payments to Executives
- Contingency Fees (attorneys) & Large Commissions
- Rental Income & Dividends
- Sale of Assets, Real Property or Business
- Stock Options
- Royalties (Intellectual Property or Oil & Gas)
- Professional Athlete/Entertainer Contracts
- Interest (balloon notes)
- K-1 Business Income (S Corp/LLC)
- “IRD” Items
- Inherited IRAs *Beneficiaries can't use “STRETCH”, the 10-yr rule applies now
- Lottery Winnings



IDEAL FACT SCENARIO #2 – Approaching Retirement for High Income Donor



✓ STATES

- Alaska
- Florida
- Nevada
- South Dakota
- Texas
- Washington
- Wyoming

✓ STATES

- Connecticut
- Indiana
- Illinois
- Massachusetts
- Michigan
- New Jersey
- New Hampshire
- Ohio
- Pennsylvania
- Rhode Island
- Tennessee
- West Virginia

🎯 STATES

- Alabama
- Arkansas
- Arizona
- California
- Colorado
- Delaware
- Georgia
- Hawaii

🎯 STATES

- Idaho
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland

🎯 STATES

- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- New Mexico
- New York
- North Carolina

🎯 STATES

- North Dakota
- Oklahoma
- Oregon
- South Carolina
- Vermont
- Virginia
- Utah
- Washington DC
- Wisconsin

For a Free Customized iCLAT® Illustration
Please Contact Us At
info@iclat.net or (844) GO-iCLAT
www.iclat.net

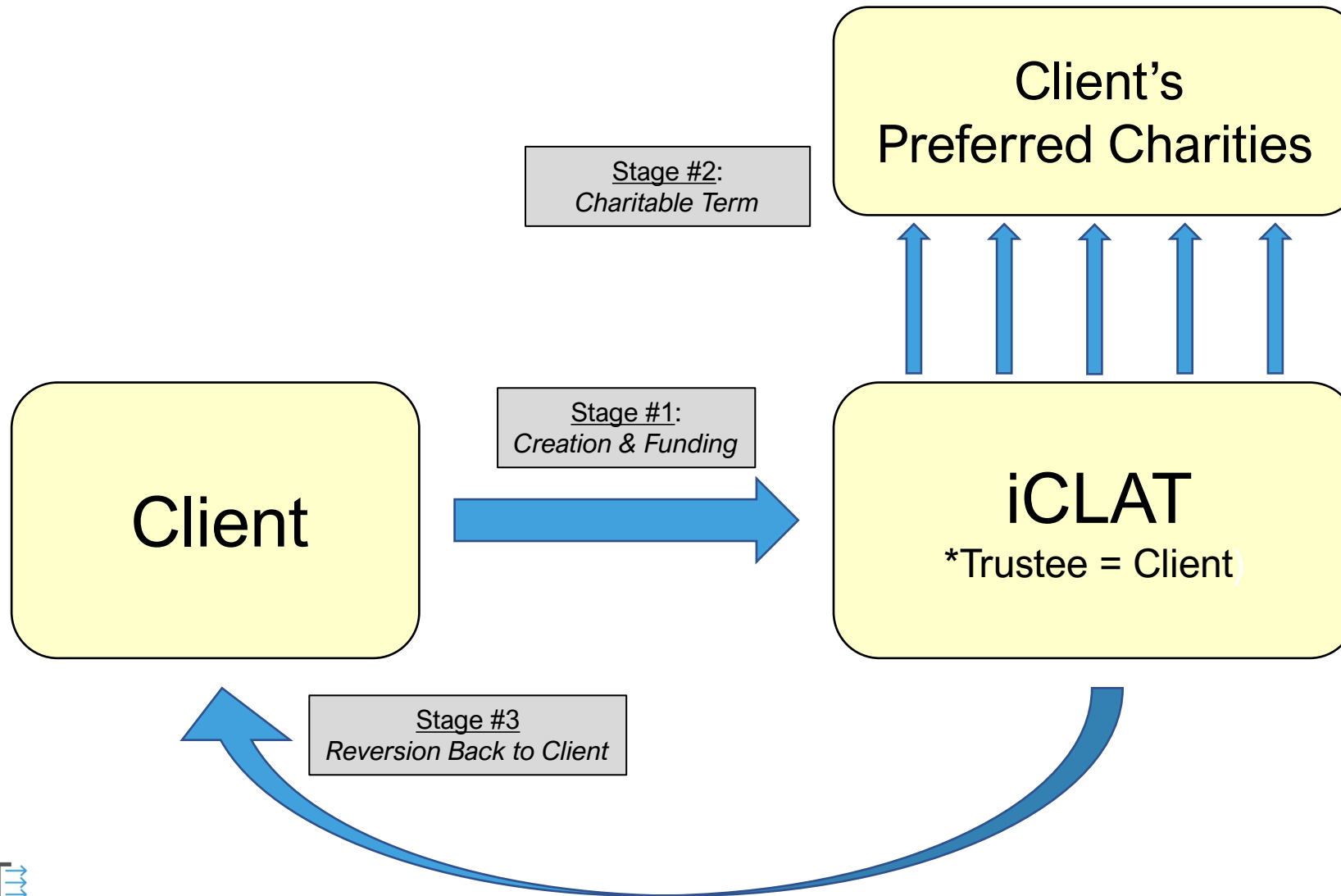
Scenario #2: HERE'S WHAT TO LOOK FOR...

Common Ideal “Retirement” Situations

- Physicians, Attorneys, CPAs, Other Professionals
- Executives
- Business Owners
- Professional Athletes

- Contracts Nearing End of Term (Examples)
 - Consulting Agreements, Government Contracts
 - Post-Sale of Business Employment Agreements

Basic Structure of an iCLAT: 3 Stages



Specific benefits of iCLATs to Charities:

1. Strengthened “Pledge-Like Commitments” = REVENUE
2. Increased “Pledge-Like Commitments” = REVENUE
3. Donor STEWARDSHIP, STEWARDSHIP, STEWARDSHIP
4. Distinguish Your Charity from Other Charities that Your Donors Support
5. Strengthen Relationships with Allied Professionals

Actual iCLAT Donor Case (with “NEW” Charity 😊)

- **Donor Case #1** : John regularly gives \$20,000 annually to his favorite charity – City of Hope 😊! John anticipates continuing this level of annual giving for the next 15 years. Based on the advice of his financial planner and CPA, John decided to convert his \$1M traditional IRA to a ROTH IRA earlier this year. John is a resident of California.

Ideal Scenario #1 - Spike Income Event



Donor Case #1: \$20k/Year to City of Hope for 15 Years

ECONOMIC SCHEDULE

Client Name:	John Smith		
Value of Assets Contributed to iCLAT:	\$	350,000	
Type of Assets Contributed to iCLAT:	Securities and/or Cash		
Desired Term of iCLAT (# of Years)	15		
Annual Payments to Charity:	\$	20,000	
Preferred Charity (if any):	City of Hope		
Assumed Annual Income /Growth Rate:	3.0%	3.0%	6%
IRS §7520 Interest Rate (Sept. 2021):	1.0%		



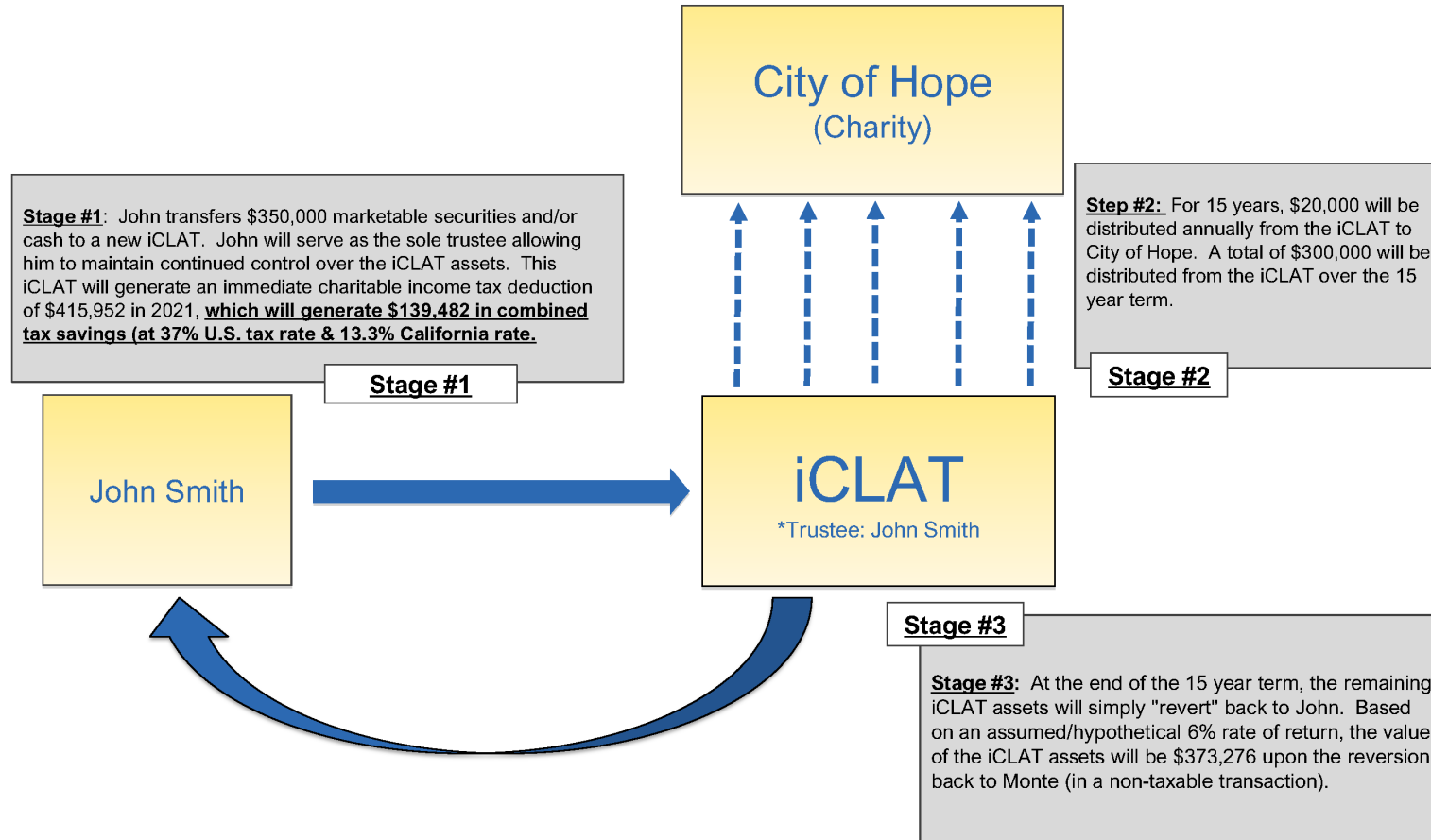
Year	Beginning Principal	Assumed Net Income Rate	Assumed Net Income Amount	Assumed Growth Rate	Assumed Growth Amount	Annual Charitable Distributions to City of Hope	Year-End Principal	Net Growth in Principal
1	\$ 350,000	3.0%	\$ 10,500	3.0%	\$ 10,500	\$ 20,000	\$ 351,000	\$ 1,000
2	\$ 351,000	3.0%	\$ 10,530	3.0%	\$ 10,530	\$ 20,000	\$ 352,060	\$ 1,060
3	\$ 352,060	3.0%	\$ 10,562	3.0%	\$ 10,562	\$ 20,000	\$ 353,184	\$ 1,124
4	\$ 353,184	3.0%	\$ 10,596	3.0%	\$ 10,596	\$ 20,000	\$ 354,375	\$ 1,191
5	\$ 354,375	3.0%	\$ 10,631	3.0%	\$ 10,631	\$ 20,000	\$ 355,637	\$ 1,262
6	\$ 355,637	3.0%	\$ 10,669	3.0%	\$ 10,669	\$ 20,000	\$ 356,975	\$ 1,338
7	\$ 356,975	3.0%	\$ 10,709	3.0%	\$ 10,709	\$ 20,000	\$ 358,394	\$ 1,419
8	\$ 358,394	3.0%	\$ 10,752	3.0%	\$ 10,752	\$ 20,000	\$ 359,897	\$ 1,504
9	\$ 359,897	3.0%	\$ 10,797	3.0%	\$ 10,797	\$ 20,000	\$ 361,491	\$ 1,594
10	\$ 361,491	3.0%	\$ 10,845	3.0%	\$ 10,845	\$ 20,000	\$ 363,181	\$ 1,689
11	\$ 363,181	3.0%	\$ 10,895	3.0%	\$ 10,895	\$ 20,000	\$ 364,972	\$ 1,791
12	\$ 364,972	3.0%	\$ 10,949	3.0%	\$ 10,949	\$ 20,000	\$ 366,870	\$ 1,898
13	\$ 366,870	3.0%	\$ 11,006	3.0%	\$ 11,006	\$ 20,000	\$ 368,882	\$ 2,012
14	\$ 368,882	3.0%	\$ 11,066	3.0%	\$ 11,066	\$ 20,000	\$ 371,015	\$ 2,133
15	\$ 371,015	3.0%	\$ 11,130	3.0%	\$ 11,130	\$ 20,000	\$ 373,276	\$ 2,261
TOTALS			\$ 161,638		\$ 161,638	\$ 300,000	\$ 373,276	\$ 13,181

Current Year "Immediate" Charitable <u>Income Tax Deduction</u>	\$	277,301
Federal Income Tax Savings <small>U.S. Rate: 37%</small>	\$	102,601
State Income Tax Savings <small>California Rate: 13.3%</small>	\$	36,881
TOTAL IMMEDIATE INCOME TAX SAVINGS*	\$	139,482
<small>*To receive ALL income tax savings on 2021 tax return, AGI needs to be at least: \$924,337</small>		
Value* of iCLAT Assets at End of Term to Revert to John Smith	\$	373,276
<small>*illustrated value, not a guaranteed value</small>		
Total Charitable Distributions to City of Hope	\$	300,000



Donor Case #1: \$20k/Year to City of Hope for 15 Years

FACTS: 15 Year / \$ 20,000 Annual Payments to City of Hope
 Initial Assets to Fund the iCLAT: \$ 350,000 Securities and/or Cash
 IRS §7520 Rate: 1.0%



*For Illustration Purposes Only



iCLAT Illustration - Economic Schedule

What if the assets earn a lower ROR, such 3% ROR?

Client Name:		John Smith
Value of Assets Contributed to iCLAT:	\$	350,000
Type of Assets Contributed to iCLAT:	Securities and/or Cash	
Desired Term of iCLAT (# of Years)	15	
Annual Payments to Charity:	\$	20,000
Preferred Charity (if any):	City of Hope	
Assumed Annual Income /Growth Rate:	1.5% 1.5%	3% *****
IRS §7520 Interest Rate (Sept. 2021):	1.0%	



Year	Beginning		Assumed Net Income		Assumed Growth		Annual Charitable Distributions to City of Hope	Year-End		Net Growth in Principal
	Principal		Rate	Amount	Rate	Amount		Principal		
1	\$	350,000	1.5%	\$ 5,250	1.5%	\$ 5,250	\$ 20,000	\$	340,500	\$ (9,500)
2	\$	340,500	1.5%	\$ 5,108	1.5%	\$ 5,108	\$ 20,000	\$	330,715	\$ (9,785)
3	\$	330,715	1.5%	\$ 4,961	1.5%	\$ 4,961	\$ 20,000	\$	320,636	\$ (10,079)
4	\$	320,636	1.5%	\$ 4,810	1.5%	\$ 4,810	\$ 20,000	\$	310,256	\$ (10,381)
5	\$	310,256	1.5%	\$ 4,654	1.5%	\$ 4,654	\$ 20,000	\$	299,563	\$ (10,692)
6	\$	299,563	1.5%	\$ 4,493	1.5%	\$ 4,493	\$ 20,000	\$	288,550	\$ (11,013)
7	\$	288,550	1.5%	\$ 4,328	1.5%	\$ 4,328	\$ 20,000	\$	277,207	\$ (11,343)
8	\$	277,207	1.5%	\$ 4,158	1.5%	\$ 4,158	\$ 20,000	\$	265,523	\$ (11,684)
9	\$	265,523	1.5%	\$ 3,983	1.5%	\$ 3,983	\$ 20,000	\$	253,488	\$ (12,034)
10	\$	253,488	1.5%	\$ 3,802	1.5%	\$ 3,802	\$ 20,000	\$	241,093	\$ (12,395)
11	\$	241,093	1.5%	\$ 3,616	1.5%	\$ 3,616	\$ 20,000	\$	228,326	\$ (12,767)
12	\$	228,326	1.5%	\$ 3,425	1.5%	\$ 3,425	\$ 20,000	\$	215,176	\$ (13,150)
13	\$	215,176	1.5%	\$ 3,228	1.5%	\$ 3,228	\$ 20,000	\$	201,631	\$ (13,545)
14	\$	201,631	1.5%	\$ 3,024	1.5%	\$ 3,024	\$ 20,000	\$	187,680	\$ (13,951)
15	\$	187,680	1.5%	\$ 2,815	1.5%	\$ 2,815	\$ 20,000	\$	173,310	\$ (14,370)
TOTALS			\$	61,655	\$	61,655	\$ 300,000	\$	173,310	\$ (108,907)

Current Year "Immediate" Charitable <u>Income Tax</u> Deduction	\$	277,301
Federal Income Tax Savings <small>U.S. Rate: 37%</small>	\$	102,601
State Income Tax Savings <small>California Rate: 13.3%</small>	\$	36,881
TOTAL IMMEDIATE INCOME TAX SAVINGS*	\$	139,482
<small>*To receive ALL income tax savings on 2021 tax return, AGI needs to be at least: \$924,337</small>		
Value* of iCLAT Assets at End of Term to Revert to John Smith	\$	173,310
<small>*Illustrated value, not a guaranteed value</small>		
Total Charitable Distributions to City of Hope	\$	300,000

Value of Reversion Interest at end of Term at 3% ROR? \$173,310.



Actual iCLAT Donor Case

- **Donor Case #2:** Stacy is a dentist and just sold her 50% interest in her dental practice for \$1,250,000. Her annual salary & other income is \$400,000. Stacy is a resident of Virginia. Currently, she only gives \$3,500/year to various local charities. However, now that she sold her practice, she wants to start giving more significantly in the coming years to her alma mater, and would prefer to do so anonymously.



Donor Case #2: 20% Increasing Charitable Distributions for 20 Years

Client Name:	Stacy Smith		
Value of Assets Contributed to iCLAT:	\$	600,000	
Type of Assets Contributed to iCLAT:	Cash & Securities		
Desired Term of iCLAT (# of Years)	20		
Annual Payments to Charity (20% Increasing):	\$	3,500	
Preferred Charity (if any):	Preferred Charities or DAF		
Assumed Annual Income /Growth Rate:	3.0%	2.0%	5%
IRS §7520 Interest Rate:	1.2%		



Year	Beginning		Assumed Net Income		Assumed Growth		Annual Charitable Distributions to Stacy's Charities (or her DAF)	Year-End Principal	Net Growth in Principal
	Principal		Rate	Amount	Rate	Amount			
1	\$	600,000	3.0%	\$ 18,000	2.0%	\$ 12,000	\$ 3,500	\$ 626,500	\$ 26,500
2	\$	626,500	3.0%	\$ 18,795	2.0%	\$ 12,530	\$ 4,200	\$ 653,625	\$ 27,125
3	\$	653,625	3.0%	\$ 19,609	2.0%	\$ 13,073	\$ 5,040	\$ 681,266	\$ 27,641
4	\$	681,266	3.0%	\$ 20,438	2.0%	\$ 13,625	\$ 6,048	\$ 709,282	\$ 28,015
5	\$	709,282	3.0%	\$ 21,278	2.0%	\$ 14,186	\$ 7,258	\$ 737,488	\$ 28,206
6	\$	737,488	3.0%	\$ 22,125	2.0%	\$ 14,750	\$ 8,709	\$ 765,653	\$ 28,165
7	\$	765,653	3.0%	\$ 22,970	2.0%	\$ 15,313	\$ 10,451	\$ 793,485	\$ 27,832
8	\$	793,485	3.0%	\$ 23,805	2.0%	\$ 15,870	\$ 12,541	\$ 820,618	\$ 27,133
9	\$	820,618	3.0%	\$ 24,619	2.0%	\$ 16,412	\$ 15,049	\$ 846,600	\$ 25,982
10	\$	846,600	3.0%	\$ 25,398	2.0%	\$ 16,932	\$ 18,059	\$ 870,870	\$ 24,271
11	\$	870,870	3.0%	\$ 26,126	2.0%	\$ 17,417	\$ 21,671	\$ 892,743	\$ 21,872
12	\$	892,743	3.0%	\$ 26,782	2.0%	\$ 17,855	\$ 26,005	\$ 911,375	\$ 18,632
13	\$	911,375	3.0%	\$ 27,341	2.0%	\$ 18,227	\$ 31,206	\$ 925,737	\$ 14,362
14	\$	925,737	3.0%	\$ 27,772	2.0%	\$ 18,515	\$ 37,448	\$ 934,576	\$ 8,839
15	\$	934,576	3.0%	\$ 28,037	2.0%	\$ 18,692	\$ 44,937	\$ 936,368	\$ 1,792
16	\$	936,368	3.0%	\$ 28,091	2.0%	\$ 18,727	\$ 53,925	\$ 929,262	\$ (7,106)
17	\$	929,262	3.0%	\$ 27,878	2.0%	\$ 18,585	\$ 64,709	\$ 911,015	\$ (18,246)
18	\$	911,015	3.0%	\$ 27,330	2.0%	\$ 18,220	\$ 77,651	\$ 878,915	\$ (32,101)
19	\$	878,915	3.0%	\$ 26,367	2.0%	\$ 17,578	\$ 93,182	\$ 829,679	\$ (49,236)
20	\$	829,679	3.0%	\$ 24,890	2.0%	\$ 16,594	\$ 111,818	\$ 759,345	\$ (70,334)
TOTALS			\$	487,652	\$	325,101	\$ 653,408	\$ 759,345	\$ 159,345

"Immediate" Charitable <u>Income Tax</u> Deduction	\$	543,627
Federal Income Tax Savings	<i>U.S. Rate: 37%</i>	\$ 201,142
State Income Tax Savings	<i>Virginia Rate: 5.75%</i>	\$ 31,259
TOTAL IMMEDIATE TAX SAVINGS	\$	232,401
Value* of Assets at End of iCLAT Term to Revert to Stacy Smith	\$	759,345
<i>*illustrated value, not a guaranteed value</i>		
Total Charitable Distributions to Stacy's Preferred Charities or DAF	\$	653,408



*For Illustration Purposes Only

“Tale of the Tape” Comparison

“BUNCHING”
MULTIPLE ANNUAL
CHARITABLE GIFTS
IN A SINGLE TAX YEAR



WHEN DID “BUNCHING” BECOME A POPULAR CHARITABLE GIVING STRATEGY?

In 2018, when the standard deduction doubled to \$24,000 for married couples. As a result, most people can no longer itemize and get no tax savings from their charitable giving!

Filing Status	2017 Standard Deduction	2018 Standard Deduction	2021 Standard Deduction
Single Person	\$6,350	\$12,000	\$12,550
Married	\$12,700	\$24,000	\$25,100
Head of Household	\$9,325	\$18,000	\$18,850

“Tale of the Tape” Comparison

“Bunching” 10 Years of Annual Gifts to a Charity or DAF

- \$30,000 X 10 = \$300,000 Gift
- AGI Limit: 60% Cash
- Yr. 1 Deduction: \$300,000
- Tax Savings in Yr. 1: \$111,000
- Control of Principal: NO
- 10 Year Reversion: NO
- Reversion Amount: NOTHING

10 Year iCLAT

- \$300,000 transferred to an iCLAT
- AGI Limit: 30% Cash
- Yr. 1 Deduction: \$284,139
- Yr. 1 Tax Savings: \$105,131
- Control of Principal: YES
- 10 Year Reversion: YES
- Reversion Amount*: \$111,332

**initial funding of \$300k & 5% annual ROR*

iCLAT[®] - Additional Takeaways

- Most iCLATs are established and funded in just 3 to 4 weeks (yes, *WEEKS*)
- To Recipient Charities, iCLATs = “Tax-Enhanced Pledge Arrangements”
- iCLAT can also be funded with rental real estate, S Corp stock, LLC or LP interests
- iCLAT is an excellent PLAN B strategy if the “prearranged sale doctrine” is already applicable to a particular transaction.
- Great alternative planning tool to “BUNCHING” annual gifts into a single year.
- Several planning options if donor is overly concerned with “recapture” if he or she dies during the term of an iCLAT.
- Remember, the lower 30% AGI Limitation Applies
 - a “for use of” charitable deduction is generated by iCLATs
- Private Foundation Rules Do Apply to iCLATs, just like all CLTs and CRTs
- Annual IRS Filing Requirements of an iCLAT are: Form 5227 Form 1041 (grantor trust)

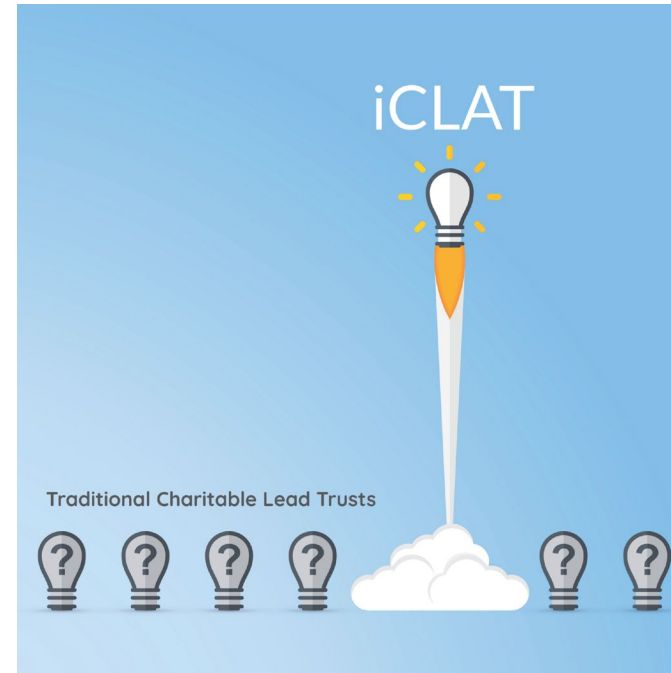


Many Ways to Learn More

- Visit our website www.iclat.net
 - iCLAT Calculator Tool - <https://www.iclat.net/iclat-calculator>
 - Request a FREE iCLAT Illustration - <https://www.iclat.net/iclat-free-illustration>
 - FAQ's page on our website - <https://www.iclat.net/iclatfrequentlyaskedquestions>
 - Review Articles and Presentations on Website
- **Schedule a FREE Telephone/Zoom Call or send us your questions**
 - Brad Gornto: brad@iclat.net or (844) 464-2458
 - Us scheduling tool www.iclat.net/callscheduling



Any Questions?



*IMMEDIATE Income Tax SAVINGS
for Future Annual Gifts to Charity*

Brad Gornto, Esq., LLM

iCLAT Solutions, LLC

310 Wilmette Avenue, Ormond Beach, FL 32174

Email: brad@iclat.net Phone: (844) 464-2458

www.iclat.net