

*Tremendous IMMEDIATE Tax Savings  
Opportunity for Clients  
- Meet the “iCLAT” -*



**\*\*CLICK LINK BELOW\*\*** to  
hear the accompanying  
AiCPA podcast to this  
slidedeck presentation\*\*

<https://www.aicpa.org/resources/podcast/the-power-of-the-simplified-charitable-lead-annuity-trust-clat>

Presented By:  
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# IMMEDIATE Tax Savings Opportunity for Clients - Meet the iCLAT® -

- **What** is it?
- **How** does it benefit your key clients and your CPA practice?
- **Who** is the ideal client for it?
- **Why NOW** is the time for it?
- **Broad Applicability - Typical Client Case**
  - Average Funding Level for iCLATs: \$ 402,000
  - Average Annual Charity Payments: \$ 28,215 /Year to Charity
  - Average “AGI” (with spike income event): \$ 767,000



# *What* is an iCLAT?

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 - iCLAT



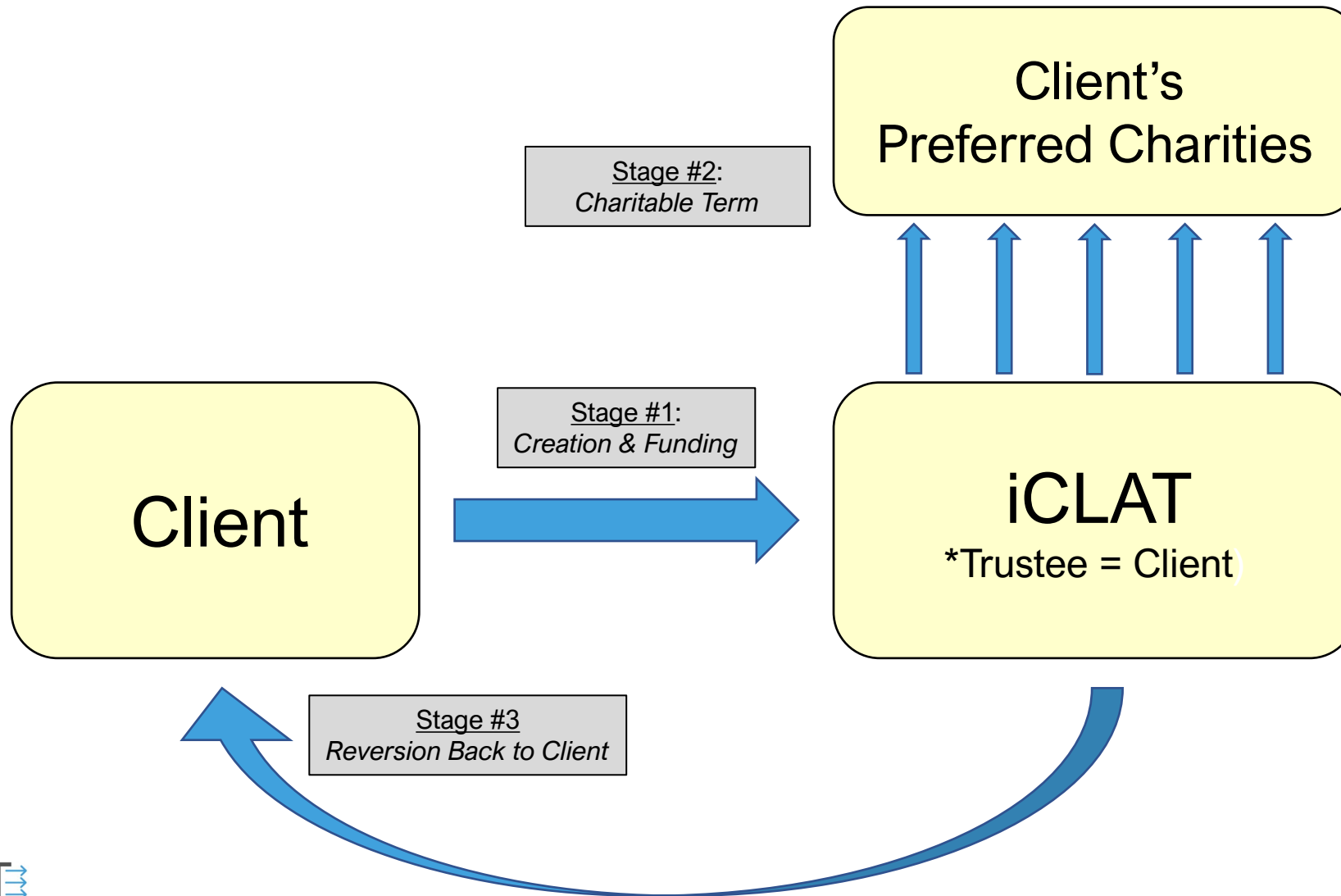
# iCLAT



Traditional Charitable Lead Trusts



# Basic Structure of an iCLAT: 3 Stages



# Assets Classes Used to Fund iCLAT

- **Asset Class for Funding iCLAT:**
  - 100% Cash Funding: 62.1%
  - Cash & Marketable Securities (Blend): 21.4%
  - Real Property (and cash/securities): 11.2%
  - Crypto, LLC Interest & Other Assets: 5.3%





# *How* does an iCLAT Benefit Your Key Clients?

- It generates 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 2.0% (March 2022)
    - \*1.6% rate is available thru end of April 2022



## 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	<b>IMMEDIATE</b> Year 1 Charitable Deduction	% of the IMMEDIATE Charitable Deduction <i>*Compared to total distributions to charity</i>
3 Years	\$25,000/year	\$ 75,000	<b>\$72,663</b>	<b>96.9%</b>
5 Years	\$25,000/year	\$125,000	<b>\$119,218</b>	<b>95.4%</b>
7 Years	\$25,000/year	\$175,000	<b>\$164,318</b>	<b>93.9%</b>
10 Years	\$25,000/year	\$250,000 →	<b>\$229,338</b>	<b>91.7%</b>
15 Years	\$25,000/year	\$375,000	<b>\$331,058</b>	<b>88.3%</b>
20 Years	\$25,000/year	\$500,000 →	<b>\$425,015</b>	<b>85.0%</b>



*\*Based on the IRS 7520 Rate of 1.6% (February 2022 Rate, which remains available through the end of April 2022).*

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# *Who is the ideal client for an iCLAT?*

## 2 Ideal Client Scenarios

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

- **Ideal Scenario #1:**

Spike/Increase income tax event in excess of \$250,000 (*preferably "ordinary income event"*)

OR

- **Ideal Scenario #2:**

High-income (\$350,00 or more) that will soon end due to client's retirement or other reasons

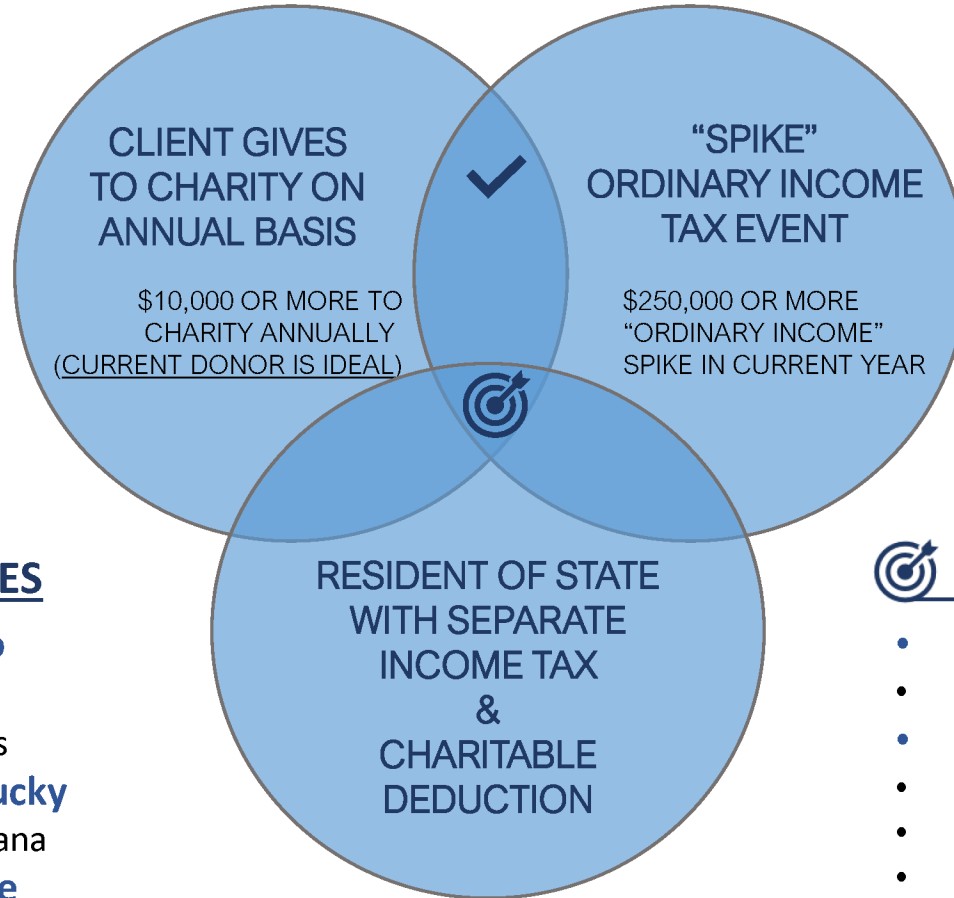




IDEAL FACT SCENARIO #1 – Spike “Ordinary Income” Tax Event in Current Year



# 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

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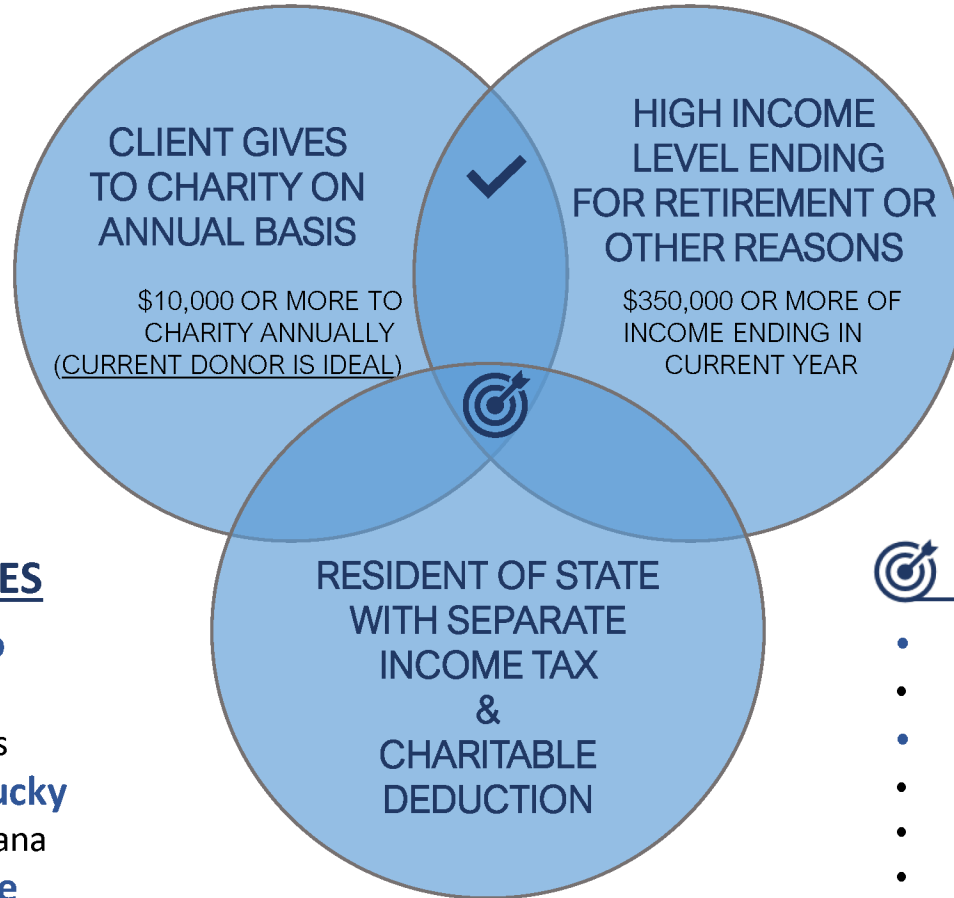
# Scenario #1: HERE'S WHAT TO LOOK FOR...

## 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 & Signing Bonuses
- Interest (balloon notes)
- K-1 Business Income (S Corp/LLC)
- “IRD” Items
- Inherited IRAs \*10-yr rule applies now for almost all beneficiaries
- 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

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# 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



## Why NOW is the time to consider iCLAT for your clients?

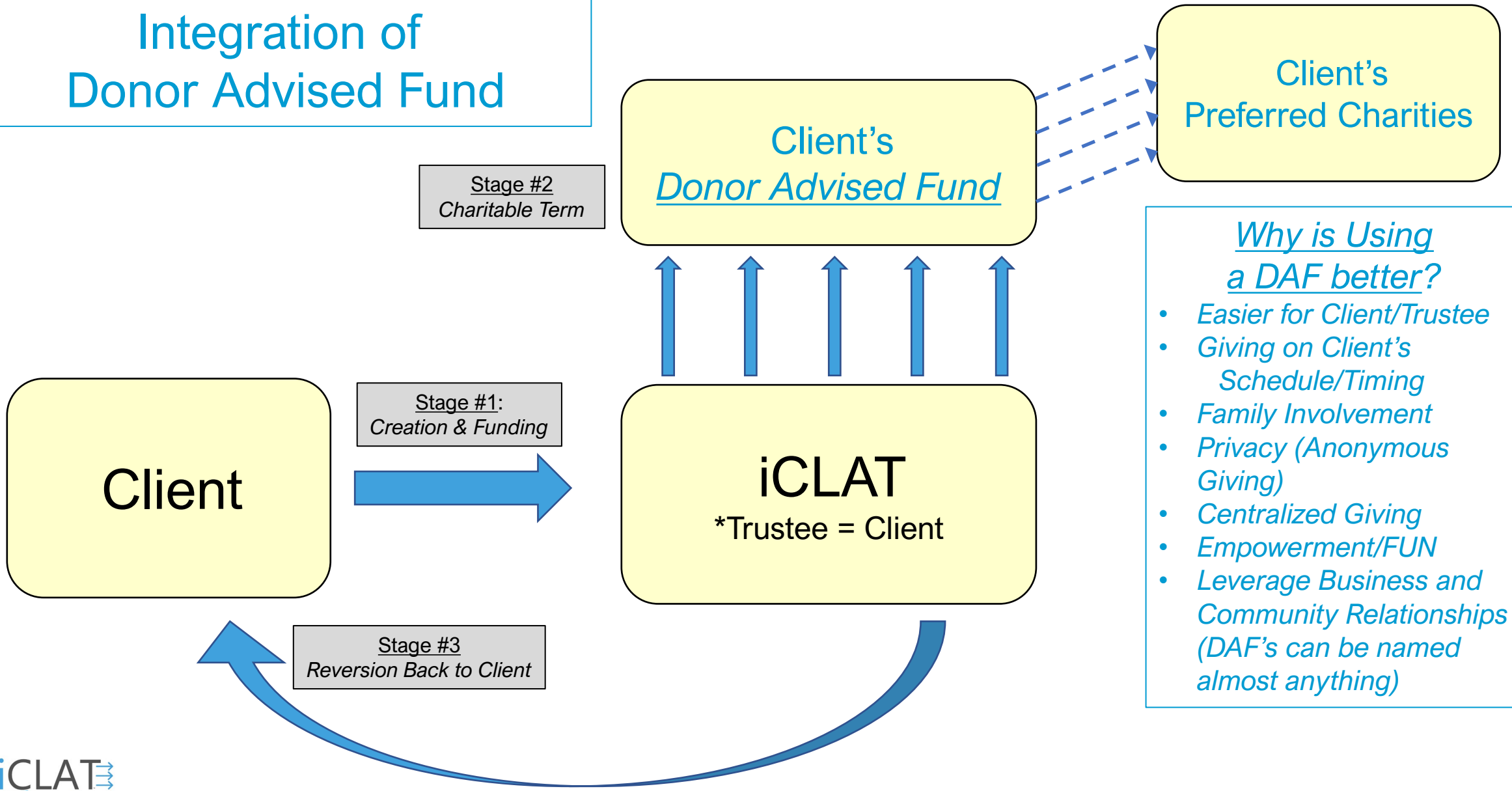
SIMPLE- The IMMEDIATE tax savings will most likely NEVER be at these levels – at least not for a for a very long time.

AS INTEREST RATES RISE & INFLATION KICKS IN, THE TAX SAVINGS FROM iCLATs WILL DECREASE

Example: 10 Year iCLAT \$25k/Year to Charity

	Deduction	Tax Savings (at 37% Rate)
Until 4/30/2022 (at 1.6% rate)	\$229,338	\$84,855
At 3% IRS rate	\$213,255	\$78,904
At 5% IRS rate	\$193,042	\$71,426
At 10% IRS rate	\$153,615	\$56,858

# Enhanced iCLAT Structure: Integration of Donor Advised Fund



- Why is Using a DAF better?
- Easier for Client/Trustee
  - Giving on Client's Schedule/Timing
  - Family Involvement
  - Privacy (Anonymous Giving)
  - Centralized Giving
  - Empowerment/FUN
  - Leverage Business and Community Relationships (DAF's can be named almost anything)



# Actual iCLAT Client Case

- **Client Case #1** : Peter regularly gives \$30,000 annually to his 2 or 3 favorite charities (including his church) and he anticipates continuing this level of annual giving for the next 10 years. Based on the advice of his financial planner and CPA, Peter decided to convert his \$1M traditional IRA to a ROTH IRA earlier this year. Peter is a resident of California and he has a donor advised fund.



## iCLAT CLIENT CASE #1 - Peter Smith

Client Name:	Peter Smith
Value of Assets Contributed to iCLAT:	\$ 300,000
Type of Assets Contributed to iCLAT:	Cash
Desired Term of iCLAT (# of Years)	10
Annual Payments to Charity:	\$ 30,000
Preferred Charity (if any):	Peter's Donor Advised Fund
Assumed Annual Income /Growth Rate:	3% 2% 5%
IRS §7520 Interest Rate:	1.6%

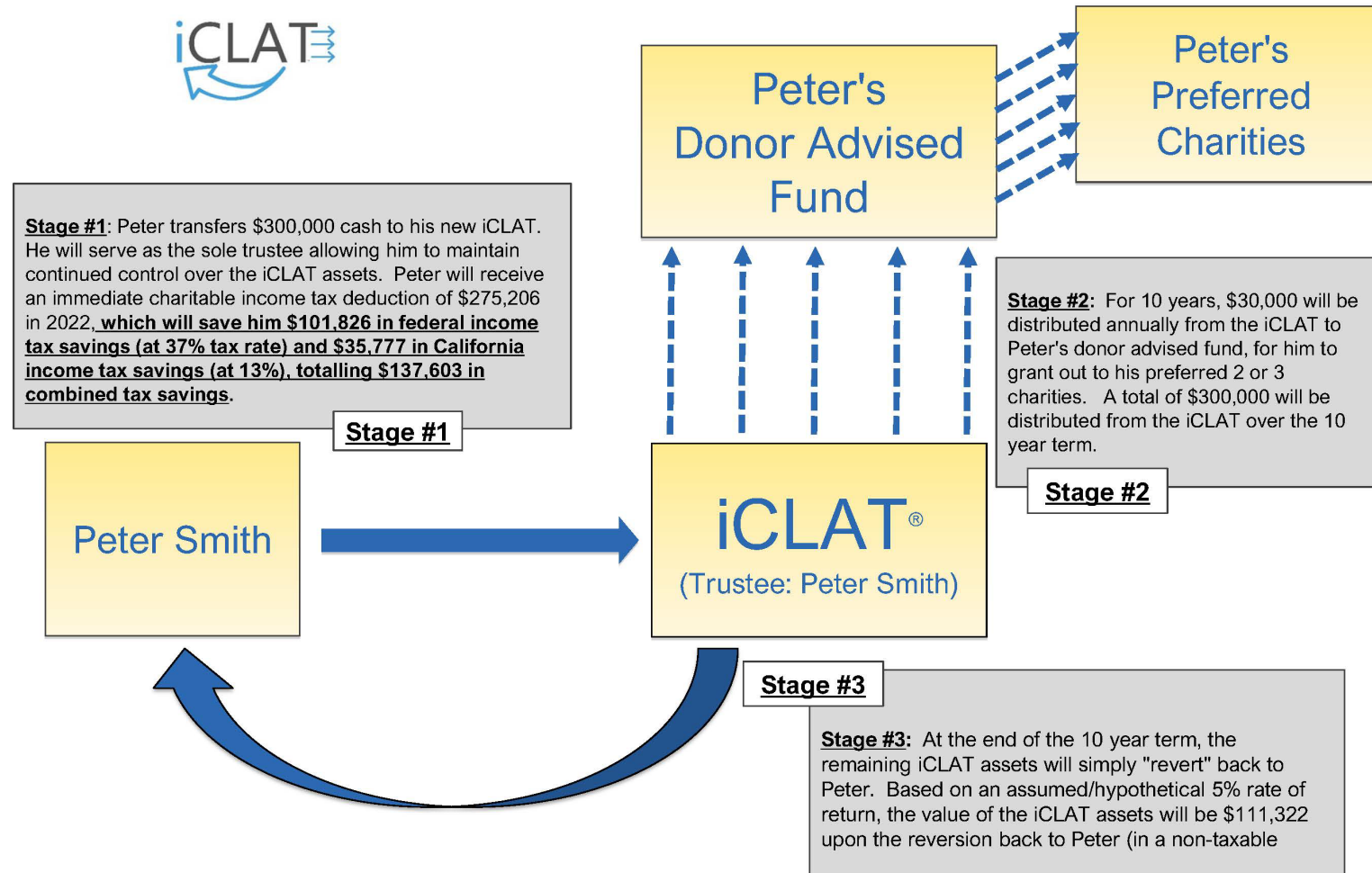


Year	Beginning		Assumed Net Income		Assumed Growth		Annual Charitable Distributions to Peter's DAF	Year-End		Net Growth in Principal
	Principal		Rate	Amount	Rate	Amount		Principal		
1	\$	300,000	3.0%	\$ 9,000	2%	\$ 6,000	\$ 30,000	\$	285,000	\$ (15,000)
2	\$	285,000	3.0%	\$ 8,550	2%	\$ 5,700	\$ 30,000	\$	269,250	\$ (15,750)
3	\$	269,250	3.0%	\$ 8,078	2%	\$ 5,385	\$ 30,000	\$	252,713	\$ (16,538)
4	\$	252,713	3.0%	\$ 7,581	2%	\$ 5,054	\$ 30,000	\$	235,348	\$ (17,364)
5	\$	235,348	3.0%	\$ 7,060	2%	\$ 4,707	\$ 30,000	\$	217,116	\$ (18,233)
6	\$	217,116	3.0%	\$ 6,513	2%	\$ 4,342	\$ 30,000	\$	197,971	\$ (19,144)
7	\$	197,971	3.0%	\$ 5,939	2%	\$ 3,959	\$ 30,000	\$	177,870	\$ (20,101)
8	\$	177,870	3.0%	\$ 5,336	2%	\$ 3,557	\$ 30,000	\$	156,763	\$ (21,107)
9	\$	156,763	3.0%	\$ 4,703	2%	\$ 3,135	\$ 30,000	\$	134,602	\$ (22,162)
10	\$	134,602	3.0%	\$ 4,038	2%	\$ 2,692	\$ 30,000	\$	111,332	\$ (23,270)
TOTALS				\$ 66,799		\$ 44,533	\$ 300,000	\$	111,332	\$ (188,668)

IMMEDIATE Charitable Income Tax Deduction in Current Year	\$ 275,206
Federal Income Tax Savings <span style="float: right; font-size: small;">U.S. Rate: 37%</span>	\$ 101,826
State Income Tax Savings <span style="float: right; font-size: small;">California Rate: 13.00%</span>	\$ 35,777
<b>TOTAL IMMEDIATE INCOME TAX SAVINGS*</b>	<b>\$ 137,603</b>
<i>*To receive ALL income tax savings on 2022 tax return, AGI needs to be at least: \$917,352</i>	
Value* of iCLAT Assets at End of Term to Revert to Peter Smith	\$ 111,332
<i>*Illustrated value, not a guaranteed value</i>	
Total Charitable Distributions to Peter's Donor Advised Fund	\$ 300,000



iCLAT CLIENT CASE #1 - Peter Smith



# Actual iCLAT Client Case

- **Client Case #2:** Carl Smith's manufacturing business (an S Corp) is having a banner year, and he anticipates K-1 income of \$1,500,000, which is more than double his usual K-1 income. Carl is 53 and a resident of Arizona. Currently, he only gives \$3,500/year to various local charities, but he wants to give more significantly in the coming years, preferably anonymously. Carl also has Block-Fi crypto account worth \$800,000, in addition to his other traditional investment assets.



## iCLAT CLIENT CASE #2 - Carl Smith

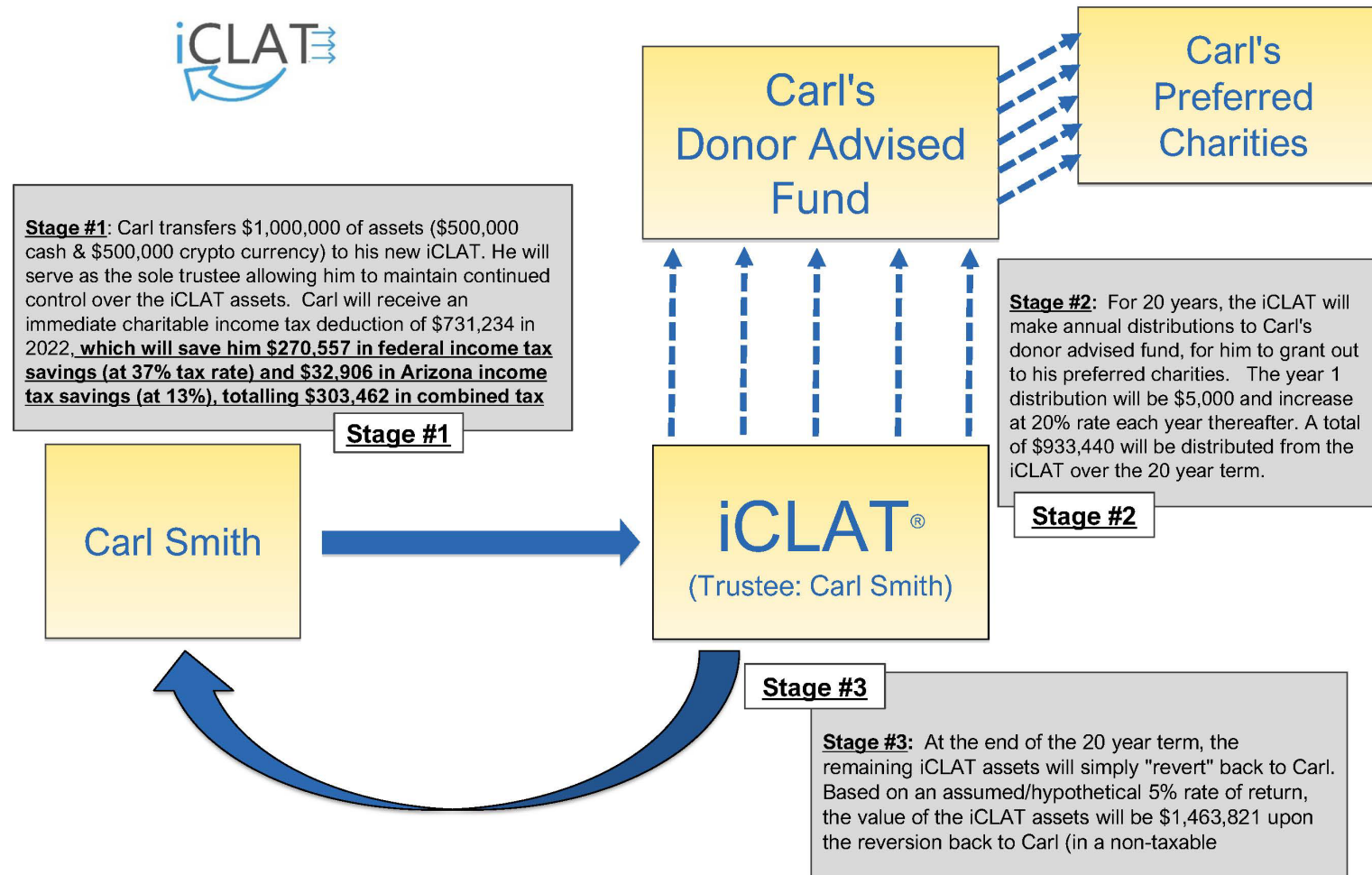
(20% Increasing Charitable Distribution Structure)

Year	Beginning Principal	Assumed Net Income		Assumed Growth		Annual Charitable Distributions to Carl's DAF	Year-End Principal	Net Growth in Principal
		Rate	Amount	Rate	Amount			
1	\$ 1,000,000	3.0%	\$ 30,000	2%	\$ 20,000	\$ 5,000	\$ 1,045,000	\$ 45,000
2	\$ 1,045,000	3.0%	\$ 31,350	2%	\$ 20,900	\$ 6,000	\$ 1,091,250	\$ 46,250
3	\$ 1,091,250	3.0%	\$ 32,738	2%	\$ 21,825	\$ 7,200	\$ 1,138,613	\$ 47,363
4	\$ 1,138,613	3.0%	\$ 34,158	2%	\$ 22,772	\$ 8,640	\$ 1,186,903	\$ 48,291
5	\$ 1,186,903	3.0%	\$ 35,607	2%	\$ 23,738	\$ 10,368	\$ 1,235,880	\$ 48,977
6	\$ 1,235,880	3.0%	\$ 37,076	2%	\$ 24,718	\$ 12,442	\$ 1,285,233	\$ 49,352
7	\$ 1,285,233	3.0%	\$ 38,557	2%	\$ 25,705	\$ 14,930	\$ 1,334,564	\$ 49,332
8	\$ 1,334,564	3.0%	\$ 40,037	2%	\$ 26,691	\$ 17,916	\$ 1,383,377	\$ 48,812
9	\$ 1,383,377	3.0%	\$ 41,501	2%	\$ 27,668	\$ 21,499	\$ 1,431,046	\$ 47,670
10	\$ 1,431,046	3.0%	\$ 42,931	2%	\$ 28,621	\$ 25,799	\$ 1,476,800	\$ 45,753
11	\$ 1,476,800	3.0%	\$ 44,304	2%	\$ 29,536	\$ 30,959	\$ 1,519,681	\$ 42,881
12	\$ 1,519,681	3.0%	\$ 45,590	2%	\$ 30,394	\$ 37,150	\$ 1,558,515	\$ 38,834
13	\$ 1,558,515	3.0%	\$ 46,755	2%	\$ 31,170	\$ 44,581	\$ 1,591,860	\$ 33,345
14	\$ 1,591,860	3.0%	\$ 47,756	2%	\$ 31,837	\$ 53,497	\$ 1,617,956	\$ 26,096
15	\$ 1,617,956	3.0%	\$ 48,539	2%	\$ 32,359	\$ 64,196	\$ 1,634,658	\$ 16,702
16	\$ 1,634,658	3.0%	\$ 49,040	2%	\$ 32,693	\$ 77,035	\$ 1,639,356	\$ 4,698
17	\$ 1,639,356	3.0%	\$ 49,181	2%	\$ 32,787	\$ 92,442	\$ 1,628,882	\$ (10,474)
18	\$ 1,628,882	3.0%	\$ 48,866	2%	\$ 32,578	\$ 110,931	\$ 1,599,395	\$ (29,486)
19	\$ 1,599,395	3.0%	\$ 47,982	2%	\$ 31,988	\$ 133,117	\$ 1,546,249	\$ (53,147)
20	\$ 1,546,249	3.0%	\$ 46,387	2%	\$ 30,925	\$ 159,740	\$ 1,463,821	\$ (82,428)
<b>TOTALS</b>			\$ 838,357		\$ 558,904	\$ 933,440	\$ 1,463,821	\$ 634,658

<b>IMMEDIATE Charitable Income Tax Deduction in Current Year</b>	<b>\$ 731,234</b>
<b>Federal Income Tax Savings</b> <small>U.S. Rate: 37%</small>	<b>\$ 270,557</b>
<b>State Income Tax Savings</b> <small>Arizona Rate: 4.50%</small>	<b>\$ 32,906</b>
<b>TOTAL ACCELERATED INCOME TAX SAVINGS*</b>	<b>\$ 303,462</b>
<small>*To receive ALL income tax savings on 2022 tax return, AGI needs to be at least: \$2,437,447</small>	
<b>Value* of iCLAT Assets at End of Term to Revert to Carl Smith</b>	<b>\$ 1,463,821</b>
<small>*Illustrated value, not a guaranteed value</small>	
<b>Total Charitable Distributions to Carl's Donor Advised Fund</b>	<b>\$ 933,440</b>



iCLAT Client Case #2 - Carl Smith  
 (20% Increasing Charitable Distribution Structure)





# “Tale of the Tape” Comparison

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



# “Tale of the Tape” Comparison

## “Bunching” 10 Years of Annual Gifts to a 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: \$274,205
- Yr. 1 Tax Savings: \$101,826
- Control of Principal: YES
- 10 Year Reversion: YES
- Reversion Amount\*: \$111,332

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

# Additional Takeaways

- iCLAT can be funded with other assets such as cryptocurrency, rental real estate, S Corp stock, LLC or LP interests
- iCLATs are a great PLAN B, if pre-sale planning is not possible
- iCLATs are typically designed, established & funded in 3 to 4 weeks
- Annual IRS Filing Requirements for iCLATs are:  
Form 5227 & Form 1041 (*short grantor trust Form 1041*)

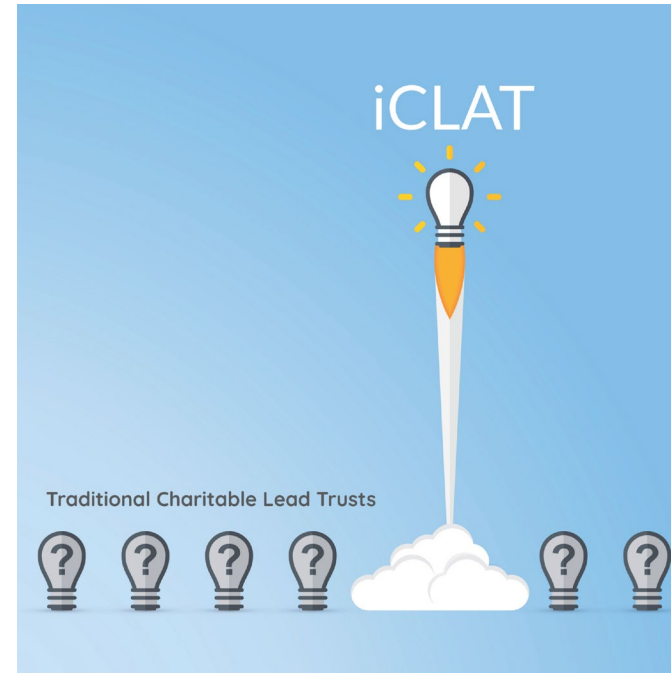


# Easy Ways to Learn More

- Visit our website [www.iclat.net](http://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>
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- **Schedule a FREE Telephone/Zoom Call or send us your questions**  
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Sam Landman: [slandman32@gmail.com](mailto:slandman32@gmail.com) or (412) 689-6558



# Any Questions?



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

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