

CLAT

Tax Impact and Savings

Scenario	Taxable Capital Gain	Combined Tax Rate	Estimated Tax Liability
Do-Nothing	\$5,000,000	37.1%	\$1,855,000
With \$2M CLAT	\$3,000,000	37.1%	\$1,113,000
Total Tax Savings			\$742,000

CLAT Structure and Economics

Assuming a 20-year term, the April 2026 Section 7520 rate of 4.6%, and an estimated 6.0% annual growth rate inside the trust, the CLAT operates as follows:

Component	Amount / Detail
Initial Funding	\$2,000,000
Term	20 Years
Section 7520 Rate	4.6%
Annual Payout Rate	7.75%
Annual Payment to DAF	\$155,086.85
Total Charitable Payout (20 Yrs)	\$3,101,737.00
Upfront Charitable Deduction	\$2,000,000 (100% of FMV)
Gift Tax Exemption Used	\$0 (Zeroed-out)
Projected Remainder to Heirs	\$709,309.53

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Option 1: Maximum Payout to Donor

This design maximizes the annual cash flow back to the Donor while meeting the IRS requirement that the present value of the charitable remainder must be at least 10% of the initial contribution.

Component	Amount / Detail
Initial Funding	\$5,000,000
Term	20 Years
Section 7520 Rate	4.6%
Annual Payout Rate	6.979%
Annual Payment to Donor	\$348,950
Total Payments to Donor (20 Yrs)	\$6,979,000
Upfront Charitable Deduction	\$500,000 (10% minimum)

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Option 2: Maximum Charitable Deduction

This design maximizes the Donor's upfront income tax deduction by setting the annuity payout to the IRS statutory minimum of 5%.

Component	Amount / Detail
Initial Funding	\$5,000,000
Term	20 Years
Section 7520 Rate	4.6%
Annual Payout Rate	5.00%
Annual Payment to Donor	\$250,000
Total Payments to Donor (20 Yrs)	\$5,000,000
Upfront Charitable Deduction	\$1,776,000 (35.52%)

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Option 1: Maximum Payout to Donor

This design maximizes the annual cash flow back to the Donor while meeting the IRS requirement that the present value of the charitable remainder must be at least 10% of the initial contribution. For a 20-year term, the maximum unitrust payout rate that satisfies this test is approximately 10.87%.

Because the 10.87% payout exceeds the assumed 6% growth rate, the trust principal will gradually deplete over the 20-year term.

Component	Amount / Detail
Initial Funding	\$5,000,000
Term	20 Years
Annual Payout Rate	10.87%
Year 1 Payment to Donor	\$543,500
Upfront Charitable Deduction	~\$500,000 (10% statutory minimum)
Projected Total to Charity (Year 20)	~\$1,843,200 (assuming 6% growth)

CRUT

Option 2: Maximum Charitable Deduction

This design maximizes the Donor's upfront income tax deduction by setting the unitrust payout to the IRS statutory minimum of 5%.

Because the assumed 6% growth rate exceeds the 5% payout, the trust principal will grow over the 20-year term, resulting in increasing annual payments to the Donor and a much larger ultimate gift to the charity.

Component	Amount / Detail
Initial Funding	\$5,000,000
Term	20 Years
Annual Payout Rate	5.00%
Year 1 Payment to Donor	\$250,000
Upfront Charitable Deduction	~\$1,792,500 (35.85% of initial FMV)
Projected Total to Charity (Year 20)	~\$6,100,950 (assuming 6% growth)