Enhanced Charitable Trust

Strategy Summary

Provide a legacy to charity and loved ones while generating a substantial current charitable income tax deduction

What is an Enhanced Charitable Trust (ECLAT)?

An Enhanced Charitable Trust is a type of charitable lead annuity trust (CLAT) that provides a small annual income to a charity followed by a large final payment to both charity and family. To truly leverage the charitable gift, a life insurance policy is used within the trust.

Why Establish an Enhanced Charitable Trust?

- Charity receives both an annual income and significant final payment
- Donor can transfer assets out of his/her estate and transfer wealth to loved ones
- Donor receives an up-front federal charitable income tax deduction
- ECLAT offers flexibility to tailor the trust to meet both the donor's needs and those of the charity

What are the Advantages Offered by an Enhanced Charitable Trust?

- The donor has the flexibility and control in deciding how much the charitable beneficiary receives. This will also determine the charitable income tax deduction.
- The charity and donor's beneficiary/ies receive a guaranteed death benefit from the life insurance inside the ECLAT. The charitable deduction for the donor may also be maximized because the leverage it provides would allow the donor to designate a substantially larger final payment to charity.
- The donor is able to leverage life insurance within the ECLAT and transfer wealth to the next generation by removing the asset from the donor's estate and minimizing gift tax implications which could be offset with donor's lifetime gift tax exemption.

Taxable Gift = Gift to ECLAT – Charitable Deduction

Who are the Ideal Candidates?

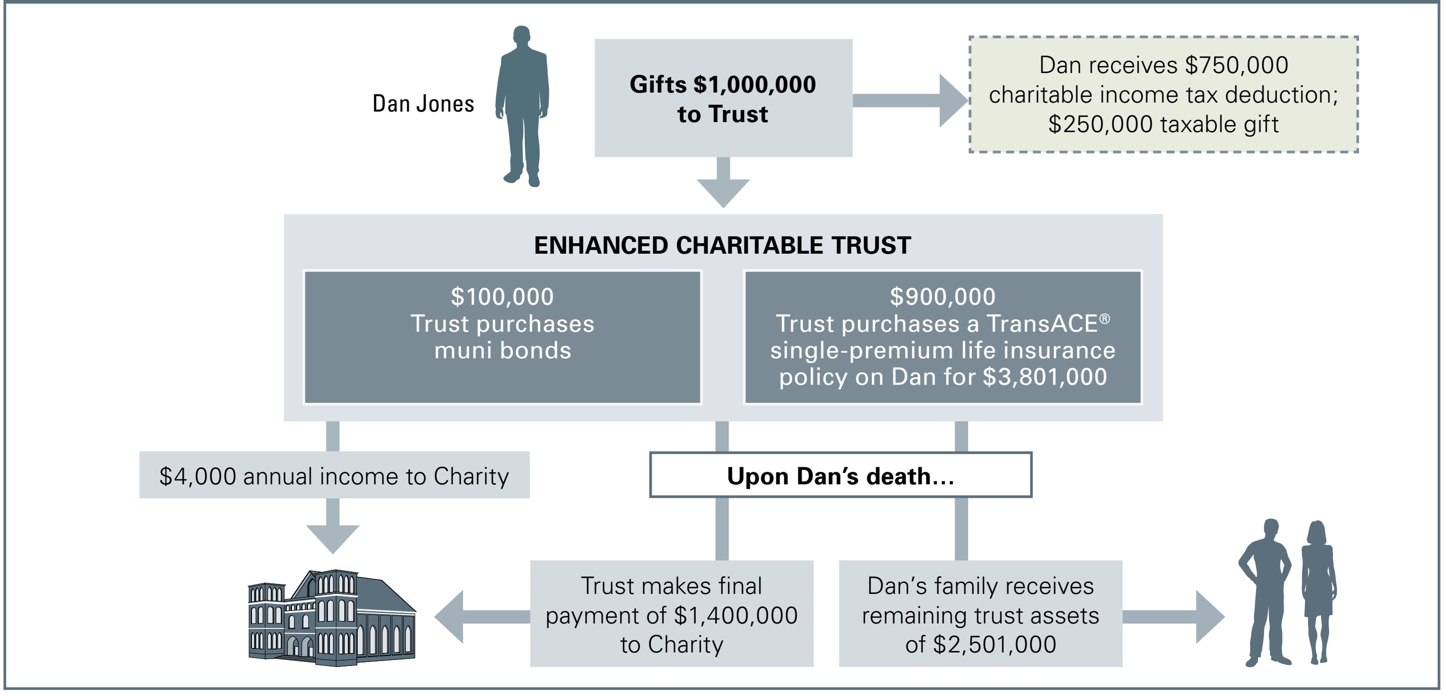
- Recipients of a large amount of taxable income such as sale proceeds of real estate or a business, or a lump-sum bonus or commission check
- Retirees with large balances in an IRA, annuity or qualified plan
- Affluent individuals who will not need the asset during life and desire to transfer it to their children
- High-net-worth individuals who are concerned about estates taxes

Example: Dan Jones

Dan received an additional $1 million of income this year.

Objective: Dan is concerned about estate taxes and wants to ensure that he can pass on a legacy to his children as well as to charity.

Here's how the Enhanced Charitable Trust strategy works:



Summary and Outcome for Dan Jones

During Dan's lifetime	Gift amount to the ECLAT	$1 million
	Charitable income tax deduction	$750,000[1]
	Taxable gift	$250,000
	Amount to municipal bonds	$100,000
	Amount to life insurance policy	$900,000
	Death benefit	$3,801,000[2]
	Annual income received by charity	$4,000
At Dan's death	Final payment received by charity	$1,400,000
	Amount Dan's family receives	$2,501,000[3]

[1]Based on a Section 7520 rate of 3.4%. The charitable deduction is limited to 30% of AGI with a 5-year carry-forward, but could be further limited if capital gain property is gifted or for a non-public charity.

[2]Based on a 60-year-old male, preferred non-smoker, single premium TransACE® universal life insurance policy.

[3]The family receives the remaining trust assets ($2,401,000 from policy proceeds and $100,000 of municipal bonds)

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Life insurance products: ▪ Are not insured by FDIC or any federal government agency ▪ May lose value ▪ Are not a deposit of or guaranteed by any bank

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ENHANCED CHARITABLE TRUST

Frequently Asked Questions

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1. What is an Enhanced Charitable Trust (ECLAT)?

The Enhanced Charitable Trust is a charitable lead annuity trust (CLAT) which leverages life insurance in order to provide a legacy by passing wealth both to a charitable organization as well as to a donor's loved ones. Structured as a grantor trust, it can generate a substantial current charitable income tax deduction based on the present value of all the payments that the charity is expected to receive. Depending on the individual's priorities, the ECLAT can be structured to provide a large donation to a chosen charitable organization, a significant transfer of wealth to loved ones, or both.

2. What makes an Enhanced Charitable Trust different from a typical CLAT?

Unlike other CLATs that only provide a fixed annual amount to charity, the ECLAT pays a smaller fixed annual amount which is followed by a significant final payment to the charity at the termination of the trust. The ECLAT's term is based on the life of the donor/insured, so that when he/she passes away, the life insurance death benefits are available to provide this final payment to charity.

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3. What are the benefits of an Enhanced Charitable Trust?

The ECLAT helps the donor to accomplish multiple goals for tax planning, wealth transfer and charitable giving. First, the donor can benefit today from a sizeable federal charitable income tax deduction. Then the charity benefits from an annual income stream and a substantial final payment from the ECLAT determined by the donor's charitable intentions when the trust is established. The donor can also transfer a significant amount of wealth to family. In addition, the ECLAT has the flexibility to tailor the trust to meet the needs of both the donor and the donor's family, as well as those of the charity.

4. How does the Enhanced Charitable Trust work?

The ECLAT is funded with an initial lump-sum contribution. A portion of the trust assets (typically 5–15%) are invested to provide the annual lead payment to the charity for the term of the trust. Municipal bonds are ideal due to their tax-free nature since the grantor of the ECLAT must pay taxes on the trust income. The majority of the trust assets (85–95%) are used to purchase a single premium life insurance policy for which the trust is the owner, payor and beneficiary. The trust term is equal to the life of the insured, which may or may not be the grantor. When the insured passes away, the trust makes a final payment to the charity from part of the life insurance death benefit. After the final payment to charity is made, the trust remainder passes on to the grantor's named trust beneficiary.

5. Is there a limit on the amount of the charitable deduction?

The grantor will receive a current charitable income tax deduction in the year that the ECLAT is established and funded. Typical deductions range from 50–100% of the amount gifted to the ECLAT. The charitable deduction is subject to AGI limitations of 30% for a public charity and 20% for a supporting organization or private foundation. If the grantor is unable to use the entire deduction in the first year, it may be carried forward for up to five years.

6. How is the charitable income tax deduction calculated?

The charitable income tax deduction is calculated based on the present value of the total payments to charity, including the annual and final payments and as well as the actuarial probability of receiving them and when. The IRS Section 7520 rate for the current month in which the trust is established is used to determine the charitable deduction. If there is a lower rate from either of the previous two months, the more favorable rate may be used.

7. How does a charitable organization benefit from this strategy?

An ECLAT provides the charity with annual income to support its current funding needs as well as a significant future lump-sum payment. The charity receives a lead payment which consists of a periodic income payment made at least annually followed by a large final payment at the end of the trust term. The lead payment must be a guaranteed annuity interest defined in the key regulation, Section 1.170A-6(c)(2)(i). The ECLAT is structured so that the payments to charity are subject to minimal risk, and are never subject to dilution.

The Enhanced Charitable Trust enables the donor to accomplish multiple goals for tax planning, wealth transfer and charitable giving

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8. Can the strategy be structured to match a donor's current annual donation?

There is no limitation on how much of a lead payment the trust provides to the charity as long as it is not considered to be *de minimis.* The ECLAT can be structured to provide charity with an annual income equal to that of the grantor's current annual donations. Therefore, an individual could simultaneously fulfill their annual gifting and institute an endowment-like program, while receiving the tax benefits of those future payments today.

9. What is the gift tax implication associated with this strategy?

The Enhanced Charitable Trust generates a current gift tax implication which is based on the amount gifted to the trust less the charitable income tax deduction. For example, if an ECLAT is funded with $1 million and the charitable income tax deduction generated is $900,000, the current gift tax implication will be $100,000. The trust remainder that passes to the non-charitable trust beneficiary is not a present interest gift, so the grantor's annual gift tax exemption cannot be used to offset the gift tax liability. To offset this liability, the grantor may use his/her $1 million lifetime gift tax exemption or alternatively, sell this future interest to the trust's beneficiaries.

10. Who is an ideal candidate for an Enhanced Charitable Trust?

- Charitably inclined high net worth clients who are also looking to transfer wealth upon their passing should consider donating an asset(s) to an ECLAT. The donated assets will be removed from the grantor's gross estate, thereby reducing the donor's potential estate tax liability. However, it is important to note that the donated asset will be inaccessible during the donor's lifetime.
- Individuals who have, will have or will incur significant income tax liability, e.g., sale of a business/property or large bonus.
- Although dependent on the current Section 7520 rate, the ECLAT is generally a viable strategy for insurable individuals who are over the age of 40, although younger ages may work under the right circumstances.
- Individuals with over-funded IRAs, annuities or pension plans.

11. Can an individual fund an Enhanced Charitable Trust with an IRA or qualified plan?

A taxable distribution must be made from the account or plan which can then be used to fund the ECLAT. The ECLAT can generate a charitable income tax deduction to help offset the taxes incurred from the distribution. Due to the tax inefficiency of passing away with an Individual Retirement Account (IRA), annuity, pension plan or qualified plan, these assets may be ideal for funding an ECLAT.

12. What are the underwriting concerns?

The ECLAT is the owner, payor and beneficiary of the life insurance policy and while the grantor does not need to be the insured, the insured must be a spouse, child, or parent of the grantor. Transamerica conducts financial underwriting on the insured from an estate planning perspective (i.e., reviews net worth, assets, income). Evidence of a donor's history of charitable giving is not necessary as it is with charity-owned life insurance policies.

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13. Who provides the calculation for the charitable income tax deduction?

Transamerica works with an attorney who is the creator of the patent-pending software that calculates the charitable income tax deduction for an Enhanced Charitable Trust. He receives 15% of the producer's commission for his service which is a royalty fee since neither he nor his law firm provides any legal services. If need be, the attorney can speak to the producer, client and/or client's advisors (accountant or attorney) to increase their knowledge and comfort level with regard to the strategy, the process, and the resulting charitable income tax deduction calculation. This attorney also provides the client with a final report which can be attached to the client/grantor's tax return. The report provides details regarding the calculation of the charitable income tax deduction.

14. What types of life insurance products work with this strategy? Why?

A TransACE® or TransACE Survivor® 2008 policy, since they are secondarily guaranteed universal life insurance policies, are the recommended products for an ECLAT strategy since they ensure that the trust can fulfill its obligation to make its payments to the charity as stated in the trust document.

A single pay policy is used to eliminate any taxable income back to the grantor. If grantor income tax results are not important, the policy could be a level pay, or limited pay policy. However, a conservative premium structure should be followed.

15. How do I get started?

A Proposal Request is provided at the end of the Enhanced Charitable Trust Producer Guide found on TransACT or contact Transamerica's Advanced Marketing department at (877)238-6758.

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TransACE Survivor® 2008 is a nonparticipating, flexible-premium universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Form No. 1-1211108 (CVAT),Group Certificate No. 2-72136108 (CVAT) for certificates issued under a group policy issued to the Rhode Island National Consumer Protection Trust. Policy form and number may vary, and this policy may not be available in all jurisdictions.

In most states, in the event of suicide during the first two policy years, death benefits are limited only to the return of premiums paid. In Missouri, suicide is no defense to payment of benefits unless the Company can show that the insured intended suicide at the time of application for coverage.

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Enhanced Charitable Trust

Producer Guide

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A legacy with the flexibility to meet the needs of both the donor and charity

Charitable legacy planning can efficiently transfer wealth to the next generation and also effectively replace a charitable gift for those that are considering a sizeable donation. In addition, charitable giving can provide significant tax benefits.

For charitably inclined clients who will be receiving a windfall from the sale of a business or real estate settlement, large bonus or commission, charitable legacy planning becomes even more relevant.

The Enhanced Charitable Trust provides a new way to leverage this money that allows the recipient to satisfy a charitable inclination, obtain a tax deduction and still provide a sizeable amount to loved ones.

What is an Enhanced Charitable Trust?

An Enhanced Charitable Trust (ECLAT) is a charitable legacy planning strategy that can preserve family wealth and provide significant tax benefits in addition to supporting a charitable cause.

Unlike more traditional charitable lead annuity trusts (CLATs), an Enhanced Charitable Trust provides the charity with a modest annual income followed by a large, deferred final payment to a charity, with the remainder interest going to the donor's family (non-charitable trust beneficiary). To truly leverage the charitable gift, a life insurance policy is used within the trust.

The Benefits of an Enhanced Charitable Trust

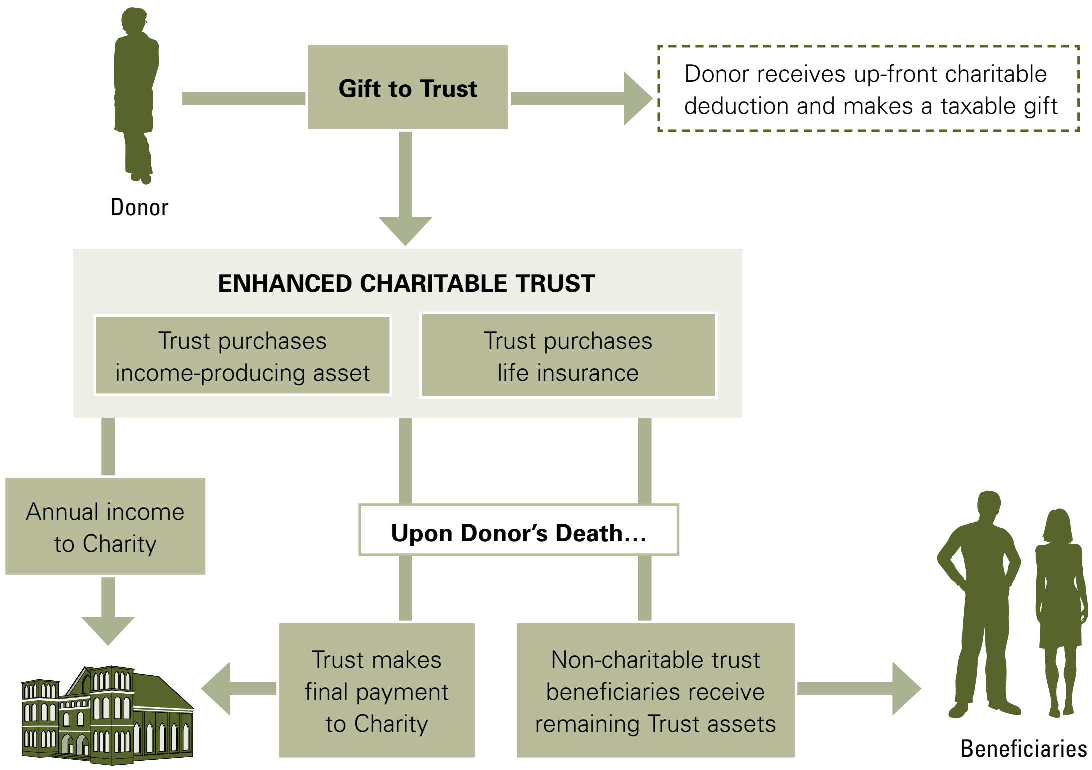
Allows the donor to:

- Make a meaningful contribution to a charitable organization
- Transfer significant wealth to future generations
- Create a sizeable federal charitable income tax deduction
- Tailor the trust to meet both donor's needs as well as those of the charity

Providing Flexibility

An Enhanced Charitable Trust offers flexibility to be structured in a way that can meet both the needs of the donor and the charity. The greater the amount that is expected to go to charity, the greater the charitable income tax deduction. However, a smaller charitable deduction will allow more of the assets in the Enhanced Charitable Trust to pass on to the donor's family.

How does it work?



The donor makes an irrevocable gift to an Enhanced Charitable Trust. The trust uses a majority of the cash to purchase a life insurance policy on the donor for which the trust is both the owner and beneficiary. The rest is invested in an income-producing asset in order to provide an annual payout to the charity. When the donor passes away, the Enhanced Charitable Trust uses a portion of the life insurance death benefits to make its final payment to charity and the donor's family benefits from the remaining trust assets.

Tax Implications

The Enhanced Charitable Trust is a grantor trust, so the donor/grantor benefits from an up-front charitable income tax deduction.[1] The trust document will state a specific fixed dollar amount that the charity will receive on an annual basis and at the end of the trust term (which is based on the grantor's life). Any income generated by the trust will be included in the grantor's tax return so municipal bonds, which are federal income tax-free, generally make a good investment to provide the annual payout to charity.

The donor makes a taxable gift to the non-charity trust remainderman which is the trust contribution reduced for the gift to charity. The amount subject to federal gift tax is based on the original gift to the Enhanced Charitable Trust less the amount of the charitable tax deduction. If available, the grantor could apply his/her lifetime gift tax exemption to mitigate the gift tax implication.

[1] A gift to a CLAT is considered a gift "for the use of" a charity and is subject to a 30% of adjusted gross income (AGI) limit. Unutilized deductions may be "carried forward" and utilized in up to five subsequent tax years.

Life insurance offers leverage through its tax-free death benefit which can allow a donor to provide to charity, without disinheriting his/her family.

The Role of Life Insurance

The Enhanced Charitable Trust uses a portion of its assets to buy a life insurance policy. A single premium, secondarily guaranteed universal life insurance policy, such as TransACE®, provides assurance that as long as its No-Lapse Guarantee requirements are met, the death benefit will remain in force. It offers the donor the security that the trust will have the assets to provide for both charity and the donor's family.

Life insurance offers leverage through its tax-free death benefit which can allow a donor to provide to charity, without disinheriting his/her family. In addition, the cash value build-up inside life insurance grows tax-deferred which is also beneficial for a grantor trust. Lastly, the use of life insurance also helps to keep the trust administration fees low versus an actively managed investment portfolio.

Potential Candidates for the Enhanced Charitable Trust strategy

As with other planning strategies, this strategy is not suitable for everyone. Generally, the Enhanced Charitable Trust strategy is suitable for:

- High-net-worth individuals
- Individuals expecting substantial proceeds from the sale of real estate or a business
- Recipients of a large amount of taxable income such as a lump-sum bonus or commission check
- Retirees with large balances in an IRA, annuity or qualified plan
- Affluent individuals who will not need the asset during life and desire to pass it to children
- Individuals who are concerned about estates taxes

As part of charitable legacy planning, the Enhanced Charitable Trust can help clients who are motivated to make a difference by donating to charity, need tax planning due their financial success, and still wish to leave a lasting legacy for their loved ones.

Strength and Stability from an Industry Leader

Transamerica Life Insurance Company has the strength and experience to help policy owners look ahead to the future.

Transamerica was built on a simple, but powerful, promise: to provide quality financial products at competitive prices. Transamerica has been helping families and businesses to secure their financial futures for more than a century, and this tradition of excellence continues today.

Available Materials / Tools

Customized Illustrations through Transamerica's Advanced Marketing Dept.

Producer

- Strategy Summary (OLA 1999)
- Online FAQ (OLA 2024)
- Enhanced Charitable Trust Guide (OLA 1829)
- Enhanced Charitable Trust Presentation (OLA 1831)

Consumer

- Four Reasons Why Flyer (OLA 1998)
- Pre-Approach Letter (OLA 2016)
- Enhanced Charitable Trust Brochure (OLA 1885)
- Enhanced Charitable Trust Slip-in Examples (OLA 1829A)
- Enhanced Charitable Trust Presentation (OLA 1892)

For more information about this and other advanced marketing strategies, be sure to visit our Web site at www.tatransact.com, or call our Advanced Marketing consultants at 877-ADV-MRKT (877-238-6758).

Enhanced Charitable Trust Proposal Request

Producer Information

Name: ____________________ Agency Code: __________

Phone: ____________________ Email: ____________________

Client Information

Name: ____________________ Spouse's Name: ____________________

Date of Birth: ____________________ Date of Birth: ____________________

Sex: ____________________ Sex: ____________________

Underwriting Classification: __________ Underwriting Classification: __________

State Where Policy will be Issued: ____________________

Amount of Charitable Contribution: ____________________

Adjusted Gross Income: ____________________

Client's Primary Objective

☐ Maximize charitable donation and income tax deduction

☐ Maximize amount passed to trust beneficiary(ies)

Targeted charitable income tax deduction (percentage of the taxable asset for which grantor would like to receive a deduction) ____________________

To receive a custom Enhanced Charitable Trust strategy proposal, submit this completed form to:

Advanced Marketing Department
Transamerica Insurance & Investment Group
1150 South Olive Street, Suite T-26-08
Los Angeles, CA 90015
Phone: (877) ADV-MRKT (238-6758)
Fax: (213) 763-9724

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Enhanced Charitable Trust

Building Your Legacy

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Your charitable legacy can support a charitable cause, enhance family wealth, and let you enjoy significant tax benefits.

You may already be considering making a sizeable donation to charity but at the same time want to protect and preserve your wealth for your family. The proper planning will allow you to do both and, in doing so, create a meaningful legacy that shares your financial success with both your loved ones and a charitable cause or organization that you believe in. Charitable legacy planning can efficiently transfer wealth to the next generation and also effectively replace a gift that you make to a charity. Giving to charity also provides a beneficial charitable income tax deduction.

Through charitable legacy planning and an Enhanced Charitable Trust, you can create a legacy that lives on for generations.

What is an Enhanced Charitable Trust?

An Enhanced Charitable Trust is a type of charitable lead annuity trust which provides a small annual income to a charity followed by a large final payment to both charity and your loved ones. To truly leverage your charitable gift, a life insurance policy is used within the trust.

An Enhanced Charitable Trust offers Flexibility

Depending on your goals, you can structure the trust to meet your needs in providing for both your loved ones and the charity. When the trust is established, you determine what you want to have paid out to charity as an annual income and as the final payment. The more you have directed to the charity, the greater your charitable income tax deduction. On the other hand, a smaller deduction means less will go to the charity but more will pass on to your family from the Enhanced Charitable Trust.

An Enhanced Charitable Trust using Life Insurance

An Enhanced Charitable Trust enables you to provide a legacy for both charity and family with the additional leverage of life insurance. The amount that will be provided to them from the life insurance death benefit is guaranteed as long as the sufficient premium is paid. Additionally, life insurance can provide potential stability as compared to other assets because it may not be subject to the same market fluctuations.

The Benefits of an Enhanced Charitable Trust

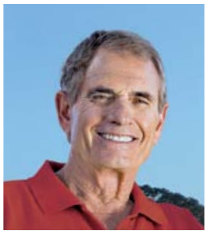
With this strategy, you can:

- Maximize the legacy you leave to charity
- Pass on wealth to future generations
- Receive a charitable income tax deduction
- Tailor the trust to meet your needs, as well as those of the charity

How Does it Work?

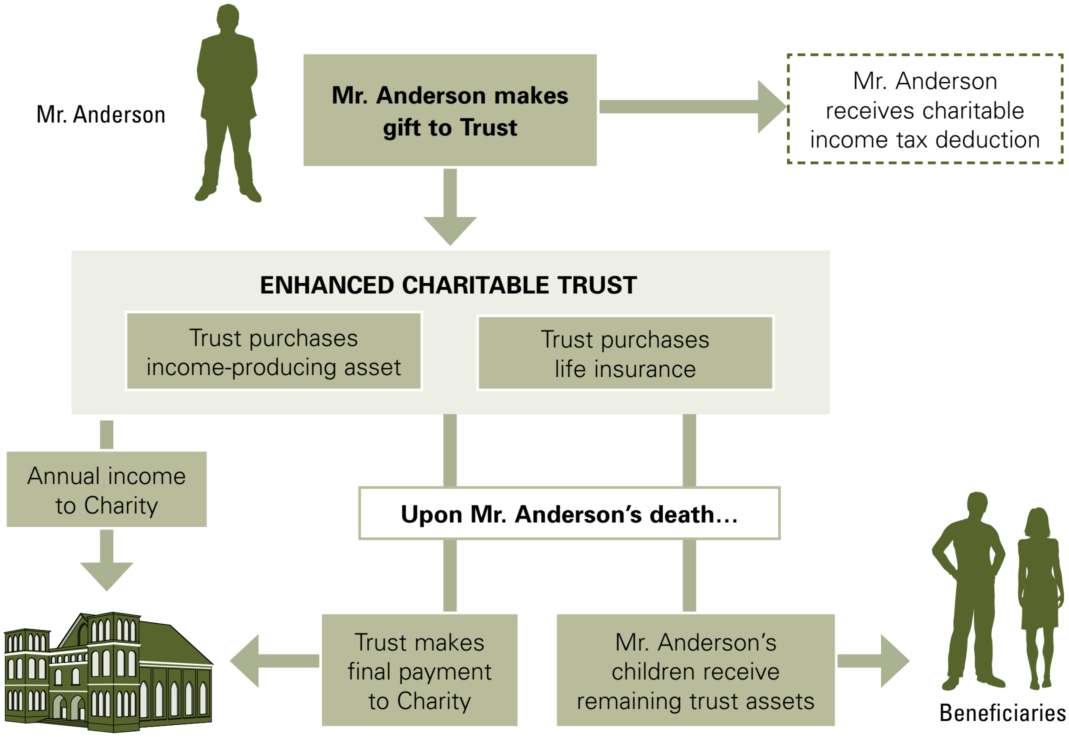
You make a gift to an Enhanced Charitable Trust which uses a large part of the gift to purchase a life insurance policy and invests the rest in an asset that will provide yearly income to the charity. You receive a current charitable income tax deduction based on the amount the charity is expected to receive.

When you pass away, the Enhanced Charitable Trust uses a portion of the life insurance death benefit to make its final payment to charity. Your loved ones receive the remaining trust assets.



Example

Mr. Anderson wants to make a sizeable donation to his favorite charity and at the same time he wants to ensure that his children also benefit from his wealth. By establishing an Enhanced Charitable Trust, he can create a legacy which can accomplish both goals.



- He makes a gift to an Enhanced Charitable Trust, receives an up-front charitable income tax deduction, and may owe gift taxes for the future amount to his children*.
- The trust purchases an income-producing investment which generates the annual payment to the charity. In addition, the trust purchases a life insurance policy on Mr. Anderson.
- When Mr. Anderson passes away, the trust makes its final payment to charity and the rest of the trust assets pass on to his children.

* Mr. Anderson makes a taxable gift to his children that is based on the initial amount gifted to the Enhanced Charitable Trust less the amount of his charitable deduction. The gift tax could be offset by applying his lifetime gift tax exemption.

Who Should Consider an Enhanced Charitable Trust?

Those who:

- Are worried about tax implications from the sale of real estate or a business
- Are receiving a large amount of taxable income this year
- Want to ensure that both their family and charity are provided for
- Would like to continue giving to charity today and also provide a substantial gift for them in the future
- Hold a large amount in an account, such as an Individual Retirement Account (IRA) or 401(k) that they would like to pass on to their children

Charitable legacy planning with an Enhanced Charitable Trust not only offers the opportunity to support a charitable cause, but also to enhance family wealth, and to enjoy significant tax benefits.

Next Step

Contact your planned giving specialist, insurance professional or financial advisor today to see if an Enhanced Charitable Trust is right for you.

Create a legacy that lives on for generations

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Life Insurance in an Enhanced Charitable Trust

Four Reasons Why It Makes Sense

Giving to charity can create a legacy that lives on into the future. Charitable legacy planning with an Enhanced Charitable Trust uses life insurance to help you provide a charitable donation, transfer wealth to your loved ones, and enjoy significant tax benefits. An Enhanced Charitable Trust is a type of charitable lead annuity trust which provides an annual income to a charity followed by a guaranteed large final payment to both charity and family. To truly leverage the charitable gift, a life insurance policy is used within the trust.

Here are four reasons why life insurance inside an Enhanced Charitable Trust offers multiple advantages.

Reason 1

Provides a guaranteed amount for charity and family

Life insurance provides the invaluable gift of future support to your loved ones and to a charity that is important to you. A portion of trust assets will be used to buy a life insurance policy with a guaranteed death benefit for both family and charity. The amount that will be provided to them from the life insurance death benefit is guaranteed as long as the sufficient premium is paid. Additionally, life insurance can provide potential stability as compared to other assets because it may not be subject to the same market fluctuations.

Reason 2

Tax-free benefits to your family

Much of the wealth that you plan to transfer to your family could be reduced by estate taxes when you pass away. For example, as much as 70% of the value of an Individual Retirement Account (IRA) or qualified plan such as a 401(k) could be lost to estate taxes and income taxes. However, with an Enhanced Charitable Trust, the assets are outside of your estate and therefore not subject to estate taxes. In addition, your family will receive death benefits from the Enhanced Charitable Trust on a federal income tax-free basis.

Reason 3

May maximize the charitable deduction

Life insurance allows you to leverage your charitable gift, in many cases turning it into a substantially larger ultimate gift for the charity than your initial gift to the Enhanced Charitable Trust. The more the charity will receive, the greater the amount of your charitable income tax deduction. This strategy also gives you the flexibility to determine how much you want to provide to the charity as an annual income and final payment.

Reason 4

Liquidity of final payout for charity

When you pass away, the life insurance death benefit paid out to an Enhanced Charitable Trust is distributed to the charity as a cash lump-sum. Unlike assets which would need to be sold or liquidated in order to receive their value, this final future payment will give the charity immediate access to much needed cash.

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Enhanced Charitable Trust

Producer Guide

Transamerica
Insurance & Investment Group

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Minimizing the income tax burden of a large non-recurring taxable item

Realizing a significant increase in one's income is a good thing. However, this good fortune can also create some challenges. The reality is that federal income taxes will have to be paid. It is also likely that the recipient could find himself or herself in a higher tax bracket as a result of a large bonus.

Enhanced Charitable Trust: Providing relief through life insurance

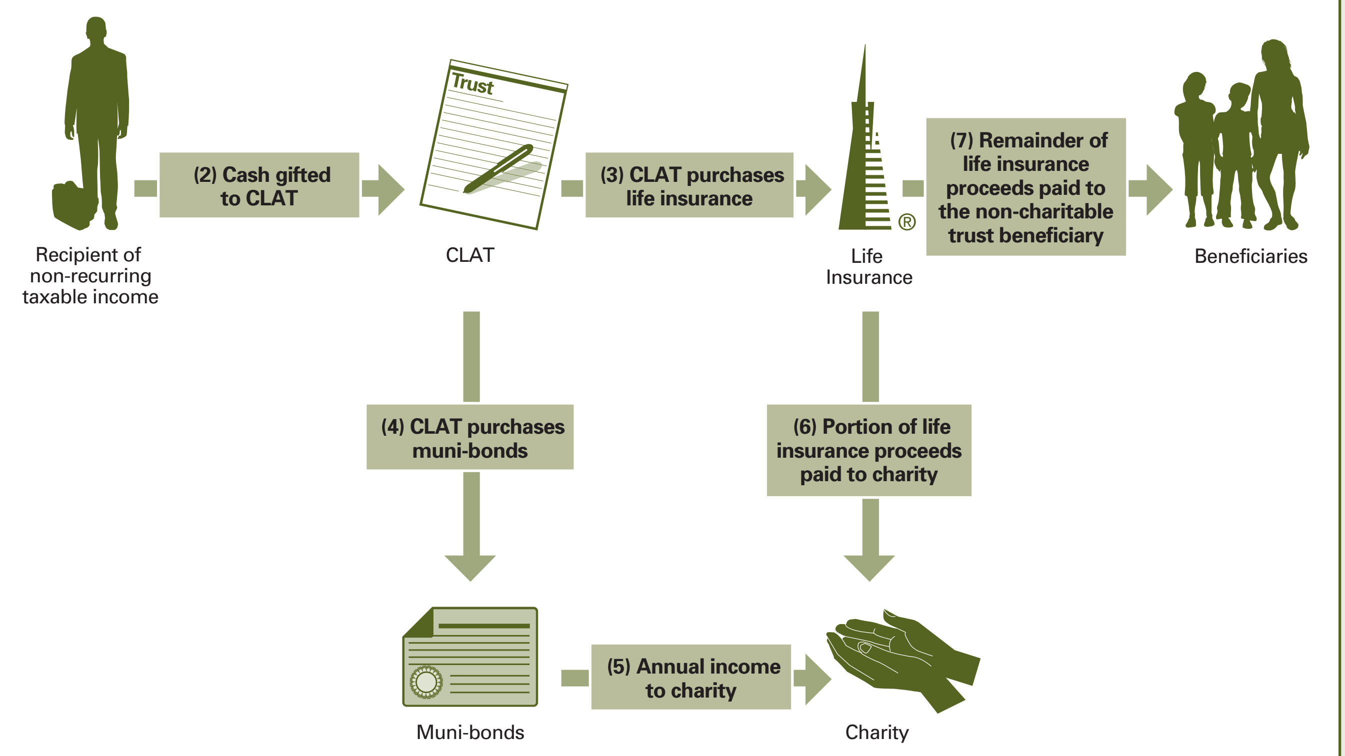
The Enhanced Charitable Trust is a unique charitable gifting strategy that uses life insurance to:

- Create a sizeable federal charitable income tax deduction
- Make a meaningful contribution to a charitable organization
- Transfer significant wealth to loved ones

What is different about the Enhanced Charitable Trust?

An Enhanced Charitable Trust is a type of charitable lead annuity trust (CLAT) that will provide annual income and a sizeable deferred amount for the charity, with a remainderman amount going to the trust beneficiary. Unlike the more traditional CLATs, the Enhanced Charitable Trust strategy provides the charity with a modest stream of current annual income. The majority of the charitable contribution is a lump-sum payment that is received at the termination of the trust, funded by a life insurance death benefit.

How does the Enhanced Charitable Trust strategy work?



The recipient of the large non-recurring taxable item makes a gift of all or a portion of that item to a charitable lead annuity trust. In exchange for the charitable gift, the grantor will receive a federal charitable income tax deduction.

The CLAT uses the majority of the cash (between 85–90%) to purchase a life insurance policy, insuring the life of the grantor or other individual. With the remaining 10–15%, the CLAT will purchase an income-producing product (such as municipal bonds) to provide the annual income to the charity.

Upon the death of the insured, a portion of the life insurance policy proceeds is paid to the charity with the remaining amount distributed to the non-charitable trust beneficiary. Any other remaining assets in the CLAT will also be paid to the non-charitable trust beneficiary.

The benefit of using life insurance within an Enhanced Charitable Trust is the peace of mind

Potential candidates for the Enhanced Charitable Trust strategy

As with other planning strategies, this strategy is not a good fit for everyone.

Generally, the Enhanced Charitable Trust strategy is suitable for:

- High net-worth individuals aged 60 or older
- Recipients of large, non-recurring taxable income, such as a lump-sum bonus or a commission check
- Individuals expecting substantial proceeds from the sale of a business or real estate
- Retirees with substantial annuity, IRA, or qualified plan balances

Other considerations to keep in mind

Because this is a grantor trust, the income generated by the CLAT will be taxable to the grantor. Municipal bonds are generally a good choice when selecting the fixed income product to generate the annual income to the charity, since the proceeds are federal income tax-free to the grantor.

Secondly, the remainder amount received by the non-charitable trust beneficiary is subject to federal gift tax. The amount subject to gift tax is based on the original gift amount less the charitable income tax deduction.

Original gift amount

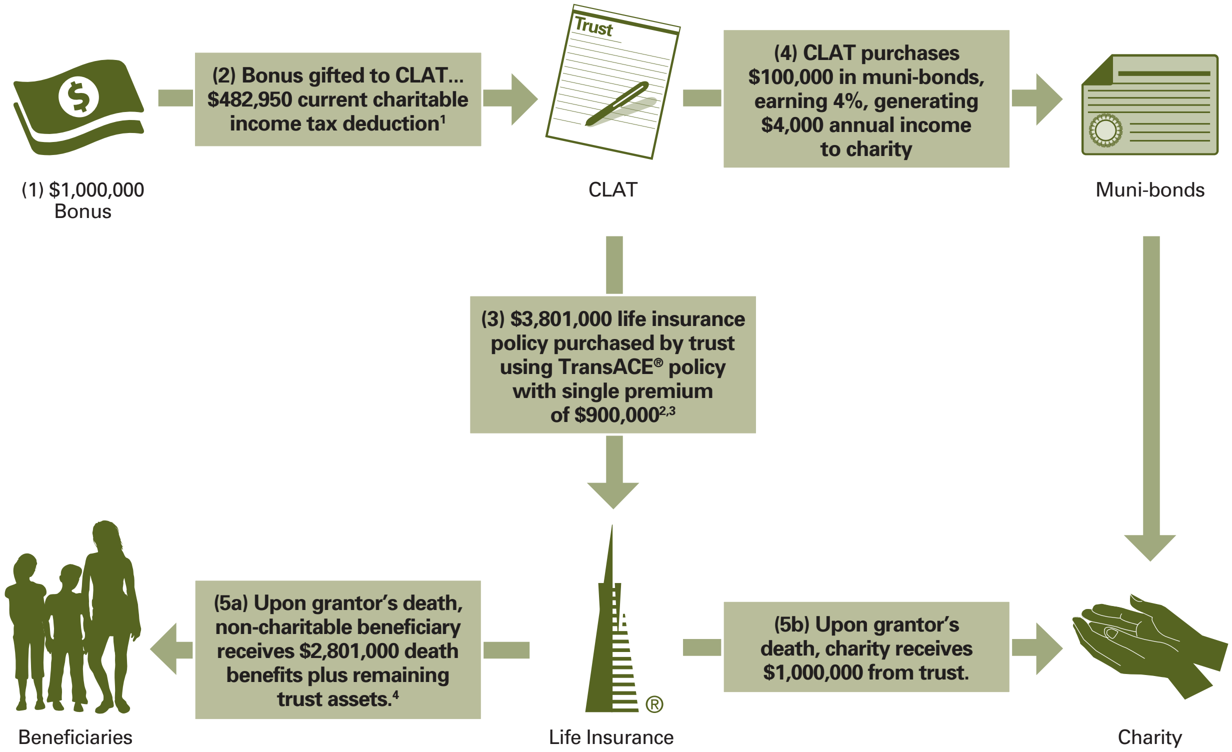
– Charitable tax deduction

Amount subject to gift tax

Hypothetical Example

Brian is a sales executive of a software company and is charitably inclined. Brian has had a great year and recently received a year-end performance bonus in the amount of $1 million. He does not need the bonus to supplement his retirement plan and would like to minimize the impact this bonus will likely have on his income taxes.

Assuming a current and future total state and federal income tax rate of 45%, and a current and future federal estate tax and gift tax rate of 45%, how might the Enhanced Charitable Trust strategy help Brian?



[1] Based on a § 7520 rate of 4.4%.

[2] Based on 60-year-old male preferred non-smoker.

[3] Creation of a policy with a large single premium may result in a modified endowment contract (MEC). MECs have certain income tax consequences in the event a withdrawal or loan is taken on the policy. Clients should consult their tax advisor as to these income tax consequences.

[4] $517,050 subject to gift tax.

Life insurance: The ideal fit for the Enhanced Charitable Trust strategy

Life insurance is an ideal product for the Enhanced Charitable Trust strategy. The death benefit of the life insurance policy provides the trust beneficiary with a federal income tax-free distribution from the trust. The grantor can leverage the amount passed to loved ones and charity through the purchase of life insurance. Life insurance can also help the grantor receive a proportionally larger federal charitable income tax deduction of the amount contributed as a result of the large lump-sum death benefit that will be paid to the charity upon the death of the insured.

Certainty and peace of mind for loved ones and charity

By using the majority of the gifted assets to purchase a life insurance policy, the amount that will ultimately be distributed to the charity and the trust beneficiary is known at the time the trust is created. With other charitable gifting strategies, what is ultimately passed to the charity or non-charitable trust beneficiary may be dictated by how well the trust's investments perform. The benefit of using life insurance within an Enhanced Charitable Trust is the peace of mind of knowing exactly how much will be passed to the charity and to loved ones through the guaranteed death benefit.

Flexible design to meet clients' unique goals

Incorporating life insurance within the Enhanced Charitable Trust strategy offers clients a tremendous amount of flexibility in choosing how much to pass to the trust beneficiary and charity. At the inception of the CLAT, the grantor controls how to divide the amount available between the charity and trust beneficiary, thanks to the guarantees provided by the life insurance policy. With the ability to "dial up" or "dial down" what is distributed to the charity, the grantor can also increase or decrease the amount of his or her federal charitable income tax deduction.

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Our Advanced Marketing team is committed to providing you with consulting expertise and powerful resources to help you serve the needs of clients and grow your business. For expert help with legacy planning or other Advanced Marketing strategies, call us today at 877-ADV-MRKT (238-6758).

Enhanced Charitable Trust Strategy Proposal Request

Producer Information

Name: ______________________________ Agency Code: ______________

Phone: ______________________________ Email: ______________________________

Client Information

Name: ____

Date of birth/age: ______________________ Amount of charitable contribution: ______________

Client's Primary Objective

☐ Maximize charitable donation and income tax deduction

☐ Maximize amount passed to trust beneficiary(ies)

Targeted charitable income tax deduction (percentage of the taxable asset for which grantor would like to receive a deduction) ______________________________

Planning Details

Total Federal and State income tax rate: __________ Federal estate/gift tax rate: ______________

Premium amount: ____

Life insurance policy face amount (if known): ______________________________

Allocation to bonds (or other income-producing asset): ______________________________

To receive a custom Enhanced Charitable Trust strategy proposal, submit this completed form to:

Advanced Marketing Department
Transamerica Insurance & Investment Group
1150 South Olive Street, Suite T-26-08
Los Angeles, CA 90015
Phone: (877) ADV-MRKT (238-6758)
Fax: (213) 763-9724

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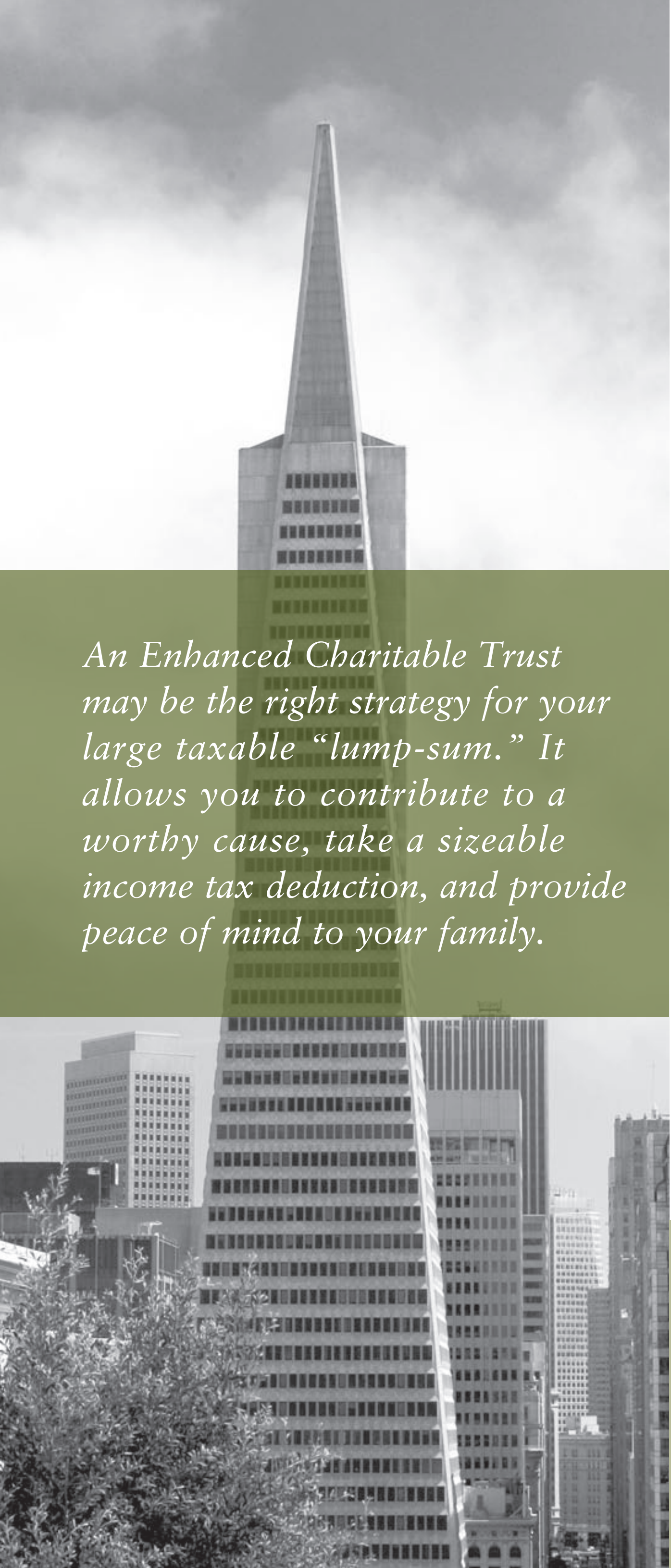

An Enhanced Charitable Trust may be the right strategy for your large taxable "lump-sum." It allows you to contribute to a worthy cause, take a sizeable income tax deduction, and provide peace of mind to your family.

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ENHANCED CHARITABLE TRUST

Making the Most of Your Windfall

Making the most of your windfall

Receiving a windfall from a large bonus, sale of a business, or real estate settlement can be a wonderful thing. Unfortunately, your joy may quickly fade once you take a look at your tax bill.

You may already see this as a great opportunity to make a sizeable donation to your favorite charity. Your generosity will also provide you with a federal charitable income tax deduction. However, there is a new way to leverage this money that allows you to satisfy your charitable inclination, obtain a tax deduction and even provide a sizeable amount to your loved ones.

If you are in the fortunate position where you don't need all or a significant portion of the money you receive and would like to leave behind a legacy to both a charitable organization and your family, an Enhanced Charitable Trust could be the answer.

What Is an Enhanced Charitable Trust?

An Enhanced Charitable Trust is a trust which provides a small annual income to a charity and then a large final payout to both the charity and your loved ones. To truly leverage your charitable gift, a life insurance policy is purchased within the trust.

The asset is gifted to the Enhanced Charitable Trust, which uses the majority of the assets to purchase a life insurance policy. The rest is invested in an income-producing product in order to provide the charity with annual income. You receive a significant charitable income tax deduction now, based on the amount you determine the charity will receive from the life insurance proceeds in the future. Your loved ones benefit from the remaining proceeds.

Depending on your goals, you can structure the trust to meet your needs for providing for both your loved ones and the charity. The more you have directed to the charity, the greater your income tax deduction. On the other hand, if your goal is to provide a greater benefit to your loved ones, then you can assign them a larger portion of the life insurance proceeds.

The Benefits

With this strategy, you can:

- Receive a charitable income tax deduction to help offset your taxable windfall
- Maximize the legacy you leave to the charity of your choice
- Pass on wealth to future generations
- Tailor the trust to meet your needs, as well as those of your family and your favorite charity

Next Step

Talk to your insurance professional or financial advisor today to see if an Enhanced Charitable Trust is right for you.