



CHARITABLE LEAD TRUST

A charitable lead trust is a way to make a meaningful gift to The University of Mississippi Foundation while providing that all or a portion of the value of the assets used to fund the gift is eventually returned to you, or used to provide a tax-favored inheritance for one or more heirs.

HOW IT WORKS

- With the assistance of your financial and legal advisors, you create a trust that is funded with cash and/or other appropriate assets.
- Fixed or variable payments are made to the UM Foundation for a period of time you determine.
- You decide the amount and timing of the trust payments. They can be a fixed amount or a percentage of the value of the trust assets as determined on an annual basis.
- At the expiration of the trust term, assets remaining in the trust are returned to you or distributed to others you name when the trust is established.
- You may serve as trustee of your lead trust, or you may choose another individual or a professional trustee such as a bank trust department or other financial services entity to serve in this role. It is also possible for the President/CEO of the UM Foundation to serve as the trustee.

BENEFITS

- Because of the payments to the UM Foundation during the time the trust is in existence, the amount of gift or estate tax that could be due on the transfer of assets to your heirs can be greatly reduced or eliminated.
- Through the use of a lead trust, you can provide funds for a specific program and/or create an endowment fund over a period of time while your heirs still receive a significant inheritance.
- A lead trust offers a way to use estate and gift tax exemption amounts to remove assets from your estate today, with future growth in the value of the assets passing to heirs free of additional transfer taxes.
- You experience the satisfaction of making a gift to the UM Foundation that might not otherwise be possible.

FOR EXAMPLE

Suppose you would like to make a gift to fund scholarships or other needs at the UM Foundation and would also like to provide an eventual inheritance for young grandchildren equal to \$500,000. You and your advisors also believe that your estate will be subject to estate or gift tax at the time the \$500,000 would be transferred to them. Under the terms of a charitable lead trust, you could place this \$500,000 in a trust that would make annual payments of 7.5 percent, or \$40,000, to the Foundation for some 20 years. At the termination of the trust, the remaining assets would be transferred to your grandchildren at a time when they may be better prepared to receive their inheritance. Because of the charitable payments from the trust, all of the gift and/or estate tax that might otherwise be due is eliminated.

If the trust earns less than 8 percent, a portion of the trust assets can be used to fund the payments to the UM Foundation. If the trust earns more than is required to make the charitable payments, your grandchildren will receive more than was originally placed in the trust without payment of additional gift or estate tax.

**Based on factors in effect at the time of printing and subject to change. The charitable portion of your gift will be determined as of the gift date.*

