ROPES & GRAY LLP
CHARITABLE LEAD ANNUITY TRUST ILLUSTRATION

Below is an example of a charitable lead annuity trust or "CLAT" based on the following assumptions:

- The trust is established in May 2017 and funded with $10 million dollars in cash.
- The trust provides for a level annuity payable to a public charity or donor advised fund each year for a period of twenty years. If any property remains in the trust at the end of the twenty-year term, it will be distributed to the donor's children. This structure "zeroes out" the trust remainder, meaning there is no taxable gift to the donor's children. (Under current federal law, taxable gifts are subject to a 40% tax rate.)
- The trust includes features that make it a so-called "grantor" trust for income tax purposes. This means that, in the year of the trust's funding, the donor to the CLAT is eligible to take an income tax charitable deduction for the present value of the annuity payments that will be made to charity over the twenty-year term, subject to a limit of 30% of the donor's adjusted gross income ("AGI"). There is a five-year carry forward available for any part of the deduction that cannot be used in the year of funding because of the AGI limit. The CLAT's status as a grantor trust requires the donor to pay the tax on the income generated by the trust assets during the twenty-year term.
- The donor has AGI of $100 million in the year of the trust's funding and pays tax at a combined federal and state income tax rate of 44.75%.
- The trust assets are invested in a portfolio of fixed income and equity securities that perform at an annualized rate of 5% and generate a mix of ordinary, qualified dividend and capital gain income taxable at an aggregate rate of 35%.

Donor's Gift to CLAT	($10,000,000)
Donor's Income Tax Savings^	$4,475,000
Donor's Gift Tax Savings+	$1,374,530
Income Tax on CLAT Income+	($2,312,911)
Net Cost to Donor	*($6,463,381)*
Benefit to Charity+	$10,000,000
Benefit to Children+	$3,436,324

^ Deduction of up to 30% of AGI taken in Year 1 with use of 5-year carry forward in subsequent years.

+ Discounted at 2.4% over the 20-year term of the CLAT.