New York Trust University

Charitable Lead Trust:

Couple, ages 59 and 56 respectively, owned a 22-acre parcel of land two miles outside the city limits. This area was destined, to develop, in some 5-7 years.

Some people were selling their holdings but they wanted to wait until retirement when prices would be somewhat higher.

The Solution:

The broker set up a 7-Year Charitable Lead Trust and put the land valued at 2,300,000 into it and named the landowner's church as the charitable recipient.

They had to give 5% of the initial land value of $2,300,000 ($115,000) to this charity every year to reap the long-term benefits of the lead trust.

The benefits would be that after 7 years the land comes back to them from the trust and any increase in value will avoid all capital gains.

The caveat with this type of trust is, if the donors DON'T outlive the 7-year life of the trust, the full value of the property is included in their taxable value of their estate.

In order to insure against this the broker formed an Irrevocable Life Insurance Trust for $2,300,000 paid with the tax savings of their $115,000 annual deductible gift to the church.

*****7 years later they sold the land to Hilton for a hotel at $41M**

The broker earned $44,020.