

Annuity Lead Trust

Prepared for
Valued Client

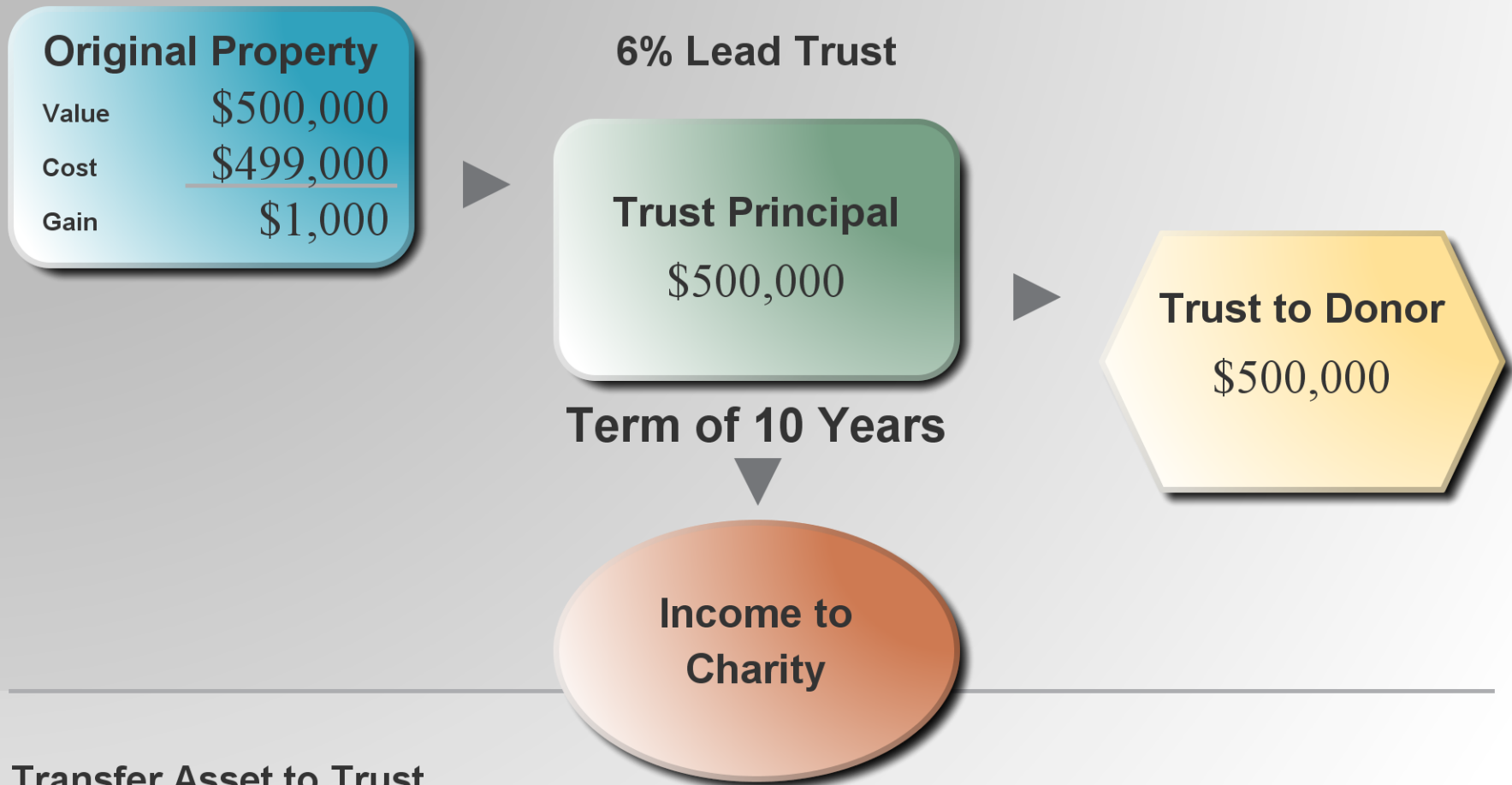
**A SERVICE PROVIDED BY
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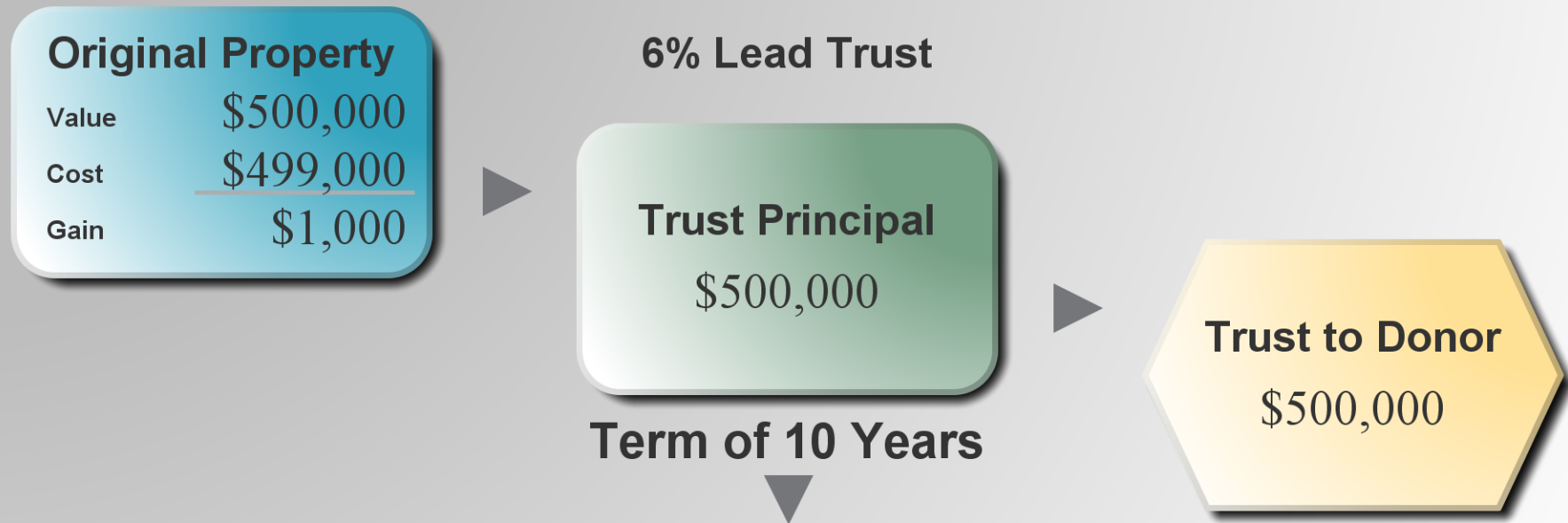
Transfer Asset to Trust
Income Tax Deduction

Property to Donor

This educational illustration is not professional tax or legal advice; consult a tax advisor about your specific situation. See data sheets for assumptions.

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1. Gift asset to lead trust, receive income tax savings of \$105,520. Potential capital gain reported by grantor.

2. Income of 6.00% to charity for 10 years. Income taxable to the lead trust grantor. Total charitable payments in 10 years \$300,000.

3. After term of years, trust assets returned to donor.

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GRANTOR LEAD TRUST

A current income tax deduction may be obtained by creating a qualified living lead trust for a term of years. Property is transferred to the trust and a selected income amount is paid to charity for the chosen number of years. After all income payments have been made, trust principal plus any accumulation is returned to the original owner.

Income Tax Charitable Deduction

When this grantor lead trust is funded, there is an income tax charitable deduction for the current value of the income which will be distributed to charity. This deduction is taken in the year of the transfer to the lead trust. Under current tax laws, the trust donor receives a current deduction even though he or she will receive the property back again after the term of years. However, the donor must report all trust income, even the portion given to charity, as taxable income on his or her income tax return. Since this income must be reported, many grantor lead trusts are funded with tax-free municipal bonds. If the income distributed to charity is from the tax-free bonds, reporting it on the donor's tax return generally does not affect his or her taxes during the term of years. Alternatively, some grantor lead trusts are funded with appreciated stock. In this case, there may be some recognition of capital gain during the term of the trust.

High Income Year

Living lead trusts with property eventually returned to the original owners are especially attractive for persons who have a large current income and anticipate lower income in future years. A regular charitable giving pattern can be maintained while gaining maximum benefit from the charitable deduction during the high income year.

Property Transfer Back to the Donor

A qualifying grantor lead trust with the donor as remainder beneficiary is an excellent method for giving to charity without permanently releasing title to the property transferred to the trust. A donor gives up only the right to income for the selected number of years. After the term of years, all trust principal and accumulated income is returned to the donor. A living lead trust combines a current deduction with gifts to favorite charities and still allows the donor to retain his or her property.

CHARITABLE LEAD ANNUITY TRUST

Term Of Years

Donor:	Gift Amount:	Gift Date:
Valued Client	\$500,000.00	04/05/2021
Beneficiary:	Term Of Years:	
Charity	10	
Payment Frequency:	Initial Trust %:	
Quarterly	6.00%	

Age* - Year changes at six months from birth date.

Calculation

(A) Annual Trust Payout	\$30,000	(A)
Gift Amt. x Trust % AFR of the Month: <u>1.0%</u>		
(B) Factor of Years 10	9.4713	(B)
(IRS Pub. 1457, Table B)		
(C) Adjustment for time of Payment	1.0037	(C)
(IRS Pub. 1457, Table K)		
End of Period		
1 Annual	1.0000	
2 Semiannual	1.0025	
3 Quarterly	1.0037	
4 Monthly	1.0046	
(D) Adjusted Factor	9.5063	(D)
Line(B) x Line(C)		
(E) Present Value of Annuity	\$285,189.00	(E)
Line (D) x Line (A)		
CHARITABLE DEDUCTION		
Income Tax Savings at 37.00%	\$105,519.93	
(F) Amount Transferred to Trust	\$500,000.00	(F)
(G) Present Value, Remainder Interest	\$214,811.00	(G)
Line(F) less Line (E)		

Note: If donor dies before end of trust term, part of deduction is recaptured. IRC Sec. 170(f)(2)(B).