

# Key 2018 Tax Law Changes & Timely Charitable Planning Ideas to Share

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For over 18 years, Brad Gornto has practiced law throughout Florida in the areas of complex estate & charitable planning, business law, probate and trust administration, and income tax planning. In addition to his law practice, Brad is the President and Founder of Effectual Giving, LLC, which is a professional consulting firm that assists charitable organizations (primarily in higher-education and Christian sectors), philanthropic families, and allied professionals across the country in the actual implementation of effective planned giving solutions. Finally, Brad is also the President and Founder of iCLAT Solutions, LLC, which is the Nation's leader in the establishment and funding of "reversionary" charitable lead trusts for individuals, companies and fiduciaries who are annual donors to public charities, churches, ministries, private foundations and donor advised funds.

Brad earned his undergraduate degree (marketing) from Florida State University in 1995, his law degree (J.D.) from the University Of Florida College Of Law in 1998, and his Masters in Taxation (LL.M.) from the University Of Miami School Of Law in 2000.

Brad's the current volunteer service includes: (i) member of the Florida State University Foundation, Inc. Planned Giving Advisory Council in Tallahassee, Florida; (ii) Development Advisor to the Board of Directors for the C.S. Lewis Study Center based in Northfield, Massachusetts; (iii) Development Advisor to the Board of Directors for the 4Rivers Foundation in Winter Park, Florida; and (iv) President of the Board of Directors for Charitable Gift Planners of Central Florida. Brad is a past President of the Estate Planning Council of the Fun Coast, Inc. (Volusia, Flagler and St. John's Counties), and a past Board Member of the Down Syndrome Association of Central Florida. Brad is also a deacon and an active member of his local church. Brad is married to his wife of 18 years, Cindy, and together they are raising their 4 children, Bryce, Owen, Joel & Daisy Grace.

# Roadmap for Today

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- Session 1: Primer on 2018 Tax Law Changes Relevant for Charitable Giving
- Session 2: Timely Charitable Giving Strategies for Donors



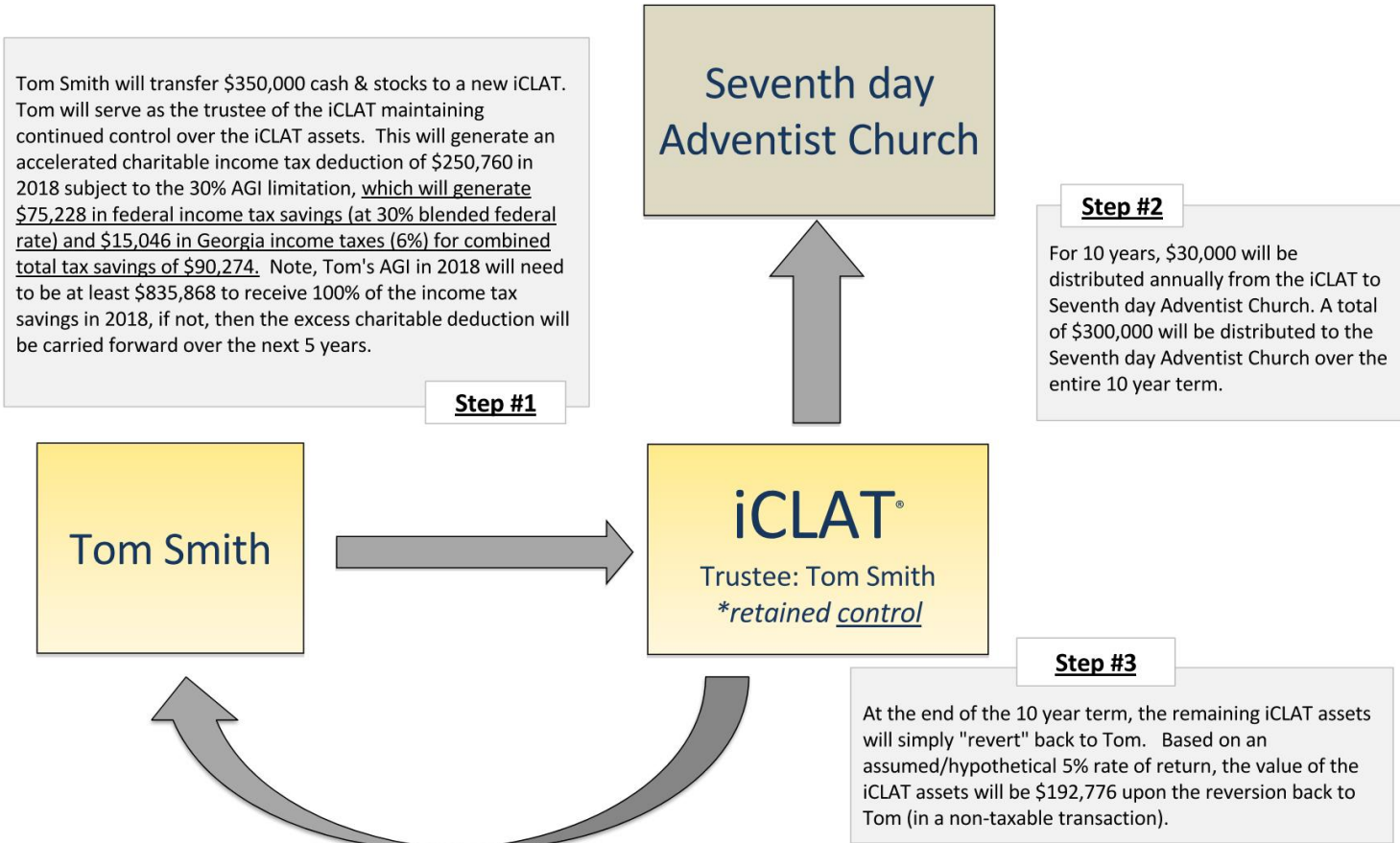
# What is a “Reversionary” Charitable Lead Trust?

- It is the lesser known type of CLT that is solely designed for accelerated income tax savings – not estate tax savings.
- DIFFERENCE.... At the end of the CLT term’s annual payments to charity, the assets of the CLT simply REVERT back to the donor.
  - *DIFFERENT* from most CLTs (> 90%), which are designed so that the CLT assets will pass to children or grandchildren at the end of the CLT term – to save or eliminate estate taxes.
  - MUCH SIMPLER for DONOR because he or she knows that it does not thinking about his or her spouse, children or grandchildren – the donor’s current estate plan will not be disturbed at all
- It is also commonly known as an iCLAT. The “i” stands for income tax deduction and its donor-centric focus. ’

# “Reversionary” Charitable Lead Trust

- IMPORTANT CONSIDERATIONS:
  - “ACCELERATED” YEAR 1 INCOME TAX CHARITABLE DEDUCTION for the donor.
    - The LOW IRS Interest Rates (the 7520 Rate for November is 3.4%) generates a very large initial charitable deduction, which typically ranges between 80% and 90% of the sum of the CLT’s annual gifts over its term.
  - The donor profile of a CLT is identical to the annual offerings and gifts already made by faithful Christians to their church and ministries.
  - Good for annual donors who either:
    - (i) have a spike “ordinary income” event of at least \$250,000; OR
    - (ii) currently have high adjusted gross income (>\$500,000) which is about to end within next few years due to retirement or other reasons.

**iCLAT Diagram: 10 Year; \$ 30,000 Annual Payments to Seventh day Adventist Church**  
**Initial Asset Funding of iCLAT: \$ 350,000 Cash & Stocks**



## iCLAT Schedule - 10 Year Term; \$30,000 Annual Payments to Seventh day Adventist Church

Donor Name:	*Georgia Resident	Tom Smith
Value of Assets Contributed to iCLAT:		\$ 350,000
Type of Assets Contributed to iCLAT:		Cash & Stocks
Desired Term of iCLAT (# of Years)		10
Annual Payments to Seventh day Adventist Church		\$ 30,000
Assumed Annual Income /Growth Rate:	2.5% 2.5%	5.0%

Year	Beginning		Assumed Net Income		Assumed Growth		Annual Payments to Seventh Day Adv.	Year-End Principal	Net Growth in Principal
	Principal	Rate	Amount	Rate	Amount				
1	\$ 350,000	2.5%	\$ 8,750	2.5%	\$ 8,750	\$ 30,000	\$ 337,500	\$ (12,500)	
2	\$ 337,500	2.5%	\$ 8,438	2.5%	\$ 8,438	\$ 30,000	\$ 324,375	\$ (13,125)	
3	\$ 324,375	2.5%	\$ 8,109	2.5%	\$ 8,109	\$ 30,000	\$ 310,594	\$ (13,781)	
4	\$ 310,594	2.5%	\$ 7,765	2.5%	\$ 7,765	\$ 30,000	\$ 296,123	\$ (14,470)	
5	\$ 296,123	2.5%	\$ 7,403	2.5%	\$ 7,403	\$ 30,000	\$ 280,930	\$ (15,194)	
6	\$ 280,930	2.5%	\$ 7,023	2.5%	\$ 7,023	\$ 30,000	\$ 264,976	\$ (15,954)	
7	\$ 264,976	2.5%	\$ 6,624	2.5%	\$ 6,624	\$ 30,000	\$ 248,225	\$ (16,751)	
8	\$ 248,225	2.5%	\$ 6,206	2.5%	\$ 6,206	\$ 30,000	\$ 230,636	\$ (17,589)	
9	\$ 230,636	2.5%	\$ 5,766	2.5%	\$ 5,766	\$ 30,000	\$ 212,168	\$ (18,468)	
10	\$ 212,168	2.5%	\$ 5,304	2.5%	\$ 5,304	\$ 30,000	\$ 192,776	\$ (19,392)	
<b>TOTALS</b>			\$ 71,388		\$ 71,388	\$ 300,000	\$ 192,776	\$ (157,224)	

<b>Current Year "Accelerated" Charitable <u>Income Tax</u> Deduction</b>	<b>\$ 250,760</b>
<b>Federal Income Tax Savings</b>	30% Federal Rate (assumed blended rate) <b>\$ 75,228</b>
<b>State Income Tax Savings</b>	6.0% Georgia <b>\$ 15,046</b>
<b>TOTAL ACCELERATED INCOME TAX SAVINGS*</b>	<b>\$ 90,274</b>
<i>*to receive all income tax savings in 2018, Tom's 2018 AGI needs to be at least: \$835,868</i>	
<b>Value of iCLAT Assets to Revert Back to Tom After 10 Years</b>	<b>\$ 192,776</b>
<i>*Illustrated value only. The future value of iCLAT assets will depend entirely on actual rates of return.</i>	
<b>Total Payments to Seventh day Adventist Church</b>	<b>\$ 300,000</b>





## IDEAL SCENARIO #1

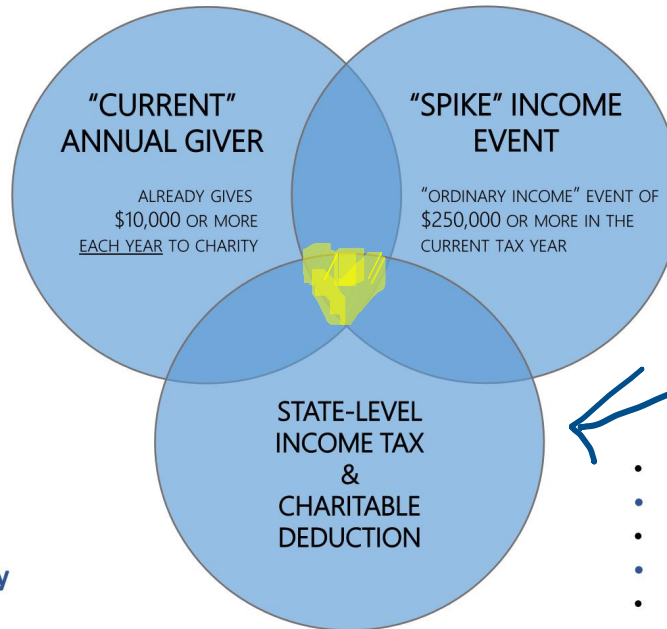




## IDEAL SCENARIO #2



## IDEAL SCENARIO #1



\* DONOR WHO LIVES IN GA, AL, MS, LA

- Alabama
- Arizona
- Arkansas
- California
- Colorado
- Delaware
- Georgia
- Hawaii
- Idaho
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts

- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- New Mexico
- New York
- North Carolina
- North Dakota
- Oklahoma
- Oregon
- Rhode Island
- South Carolina
- Utah
- Vermont
- Virginia
- Washington DC

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# Additional Considerations for Reversionary Charitable Lead Trusts (1 of 2)

- In addition to cash or marketable securities, it can also be funded with rental real estate, S Corp stock, LLC or LP interests (generally, not operating businesses).
- Client/donor can serve as trustee and retain CONTROL over the CLT assets.
- Less stringent appraisal concerns than traditional CLTs and CRTs (no taxable gift involved), significant appraisal cost savings to client/donor.
- The CLT's annual payments to charity do not need to be fixed, the payments to charity can increase each year, even balloon ("shark-fin" or "balloon" CLAT- Rev. Proc. 2007-45). This planning variation helps increase value of reversionary amount returning back to the donor at end of term.

# Additional Considerations for Reversionary Charitable Lead Trusts (2 of 2)

- The client/donor does not need to be a person....An LLC, S Corporation, and C corporation (even a publicly traded company), or another trust can establish an CLT.
- The iCLAT is an excellent “PLAN B” strategy” because of “prearranged sale doctrine” is already applicable to a particular transaction.