

Current Accelerated Income Tax Savings
Based on the *PROMISE TO GIVE IN THE FUTURE*
on an Annual Basis: MEET THE iCLAT

Presented to:
Community Foundation of South Lake

TAX-WISE GIVING CONFERENCE
March 1, 2019

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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, 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 one of 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 and member 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.

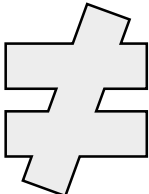
Shifting Trends Relevant to Charitable Giving

- Greater emphasis on INCOME Tax planning in charitable giving & lesser emphasis on ESTATE Tax planning in charitable giving
- The Rise of Donor Advised Funds
 - Anonymous Giving
 - “BUNCHING” annual gifts to a DAF because of higher standard deduction
 - Makes Gifting of Complex/Non-Marketable Assets Easier!
- Charitable Gifting from Individual Retirement Arrangements (IRAs) for Donors Over Age 70 ½ (so-called Charitable IRA Rollover)
- Emphasis on charitable planning strategies that produce the best outcomes in LOW INTEREST RATE ENVIRONMENT.....

Current Landscape for the Charitable INCOME Tax Deduction

- It survived the 2017 Tax Cuts and Jobs Act, unlike most other itemized deductions.
- As a deduction, it actually improved in several important ways....
 - AGI LIMITATION for cash gifts INCREASED TO 60% (previously 50%)
 - The Overall Limitation to Itemized Deductions (known as the “Pease Limitation”) is SUSPENDED UNTIL 2026
- HOWEVER.....what happened to the standard deduction?
IT DOUBLED!! (\$12k single & \$24k married)
 - This will undoubtedly have an adverse impact on the income tax savings that millions are accustomed to receiving from their charitable giving!!

Initial Thought on “Planned” Giving

Planned Giving  Deferred Giving

- Rather, some types of “planned gifts” are deferred.
- Some types are CURRENT/RECURRING!!!
- Planned Giving is Also a Powerful Tool For Donor Stewardship

What is an iCLAT?

- The iCLAT is simply another name for a REVERSIONARY charitable lead annuity trust which, by its very terms, qualifies as a 'grantor trust' for federal income tax purposes under IRC Section 673.
- So what is a charitable lead annuity trust?
- REVERSIONARY Distinction - At end of the term of the iCLAT, the remaining CLT assets are simply distributed back to the client/donor in a non-taxable transaction – rather than pass to a spouse, kids, grandkids, etc.

Why is the REVERSIONARY aspect important?

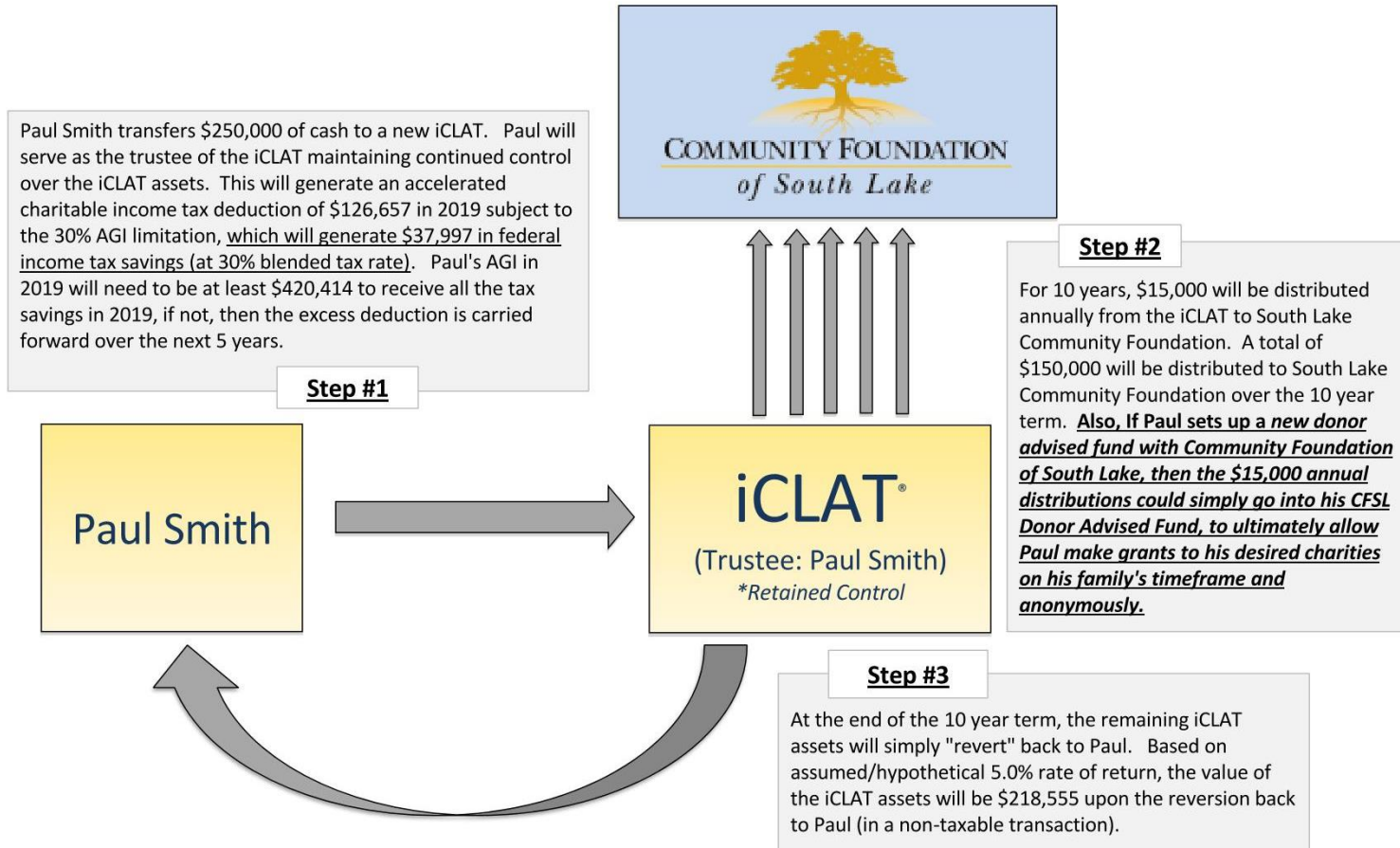
- SIMPLE OBJECTIVE- Designed solely for accelerated income tax savings – not estate tax savings
- BROAD APPLICABILITY & LESS DISRUPTIVE
- SIMPLER PLANNING PROCESS FOR DONOR (no estate planning component)
- MAKES THE iCLAT a “grantor trust” for income tax purposes

Key Benefit of the iCLAT

- “ACCELERATED” YEAR 1 INCOME TAX CHARITABLE DEDUCTION for the donor.
 - The LOW IRS Interest Rates (the 7520 Rate for February & March 2019 is 3.2%) 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.

- Lets take a look at a couple examples....

iCLAT Diagram #1: 10 Year; \$ 15,000 Annual Payments to Community Foundation of South Lake
Initial Asset Funding of iCLAT: \$ 250,000 Cash

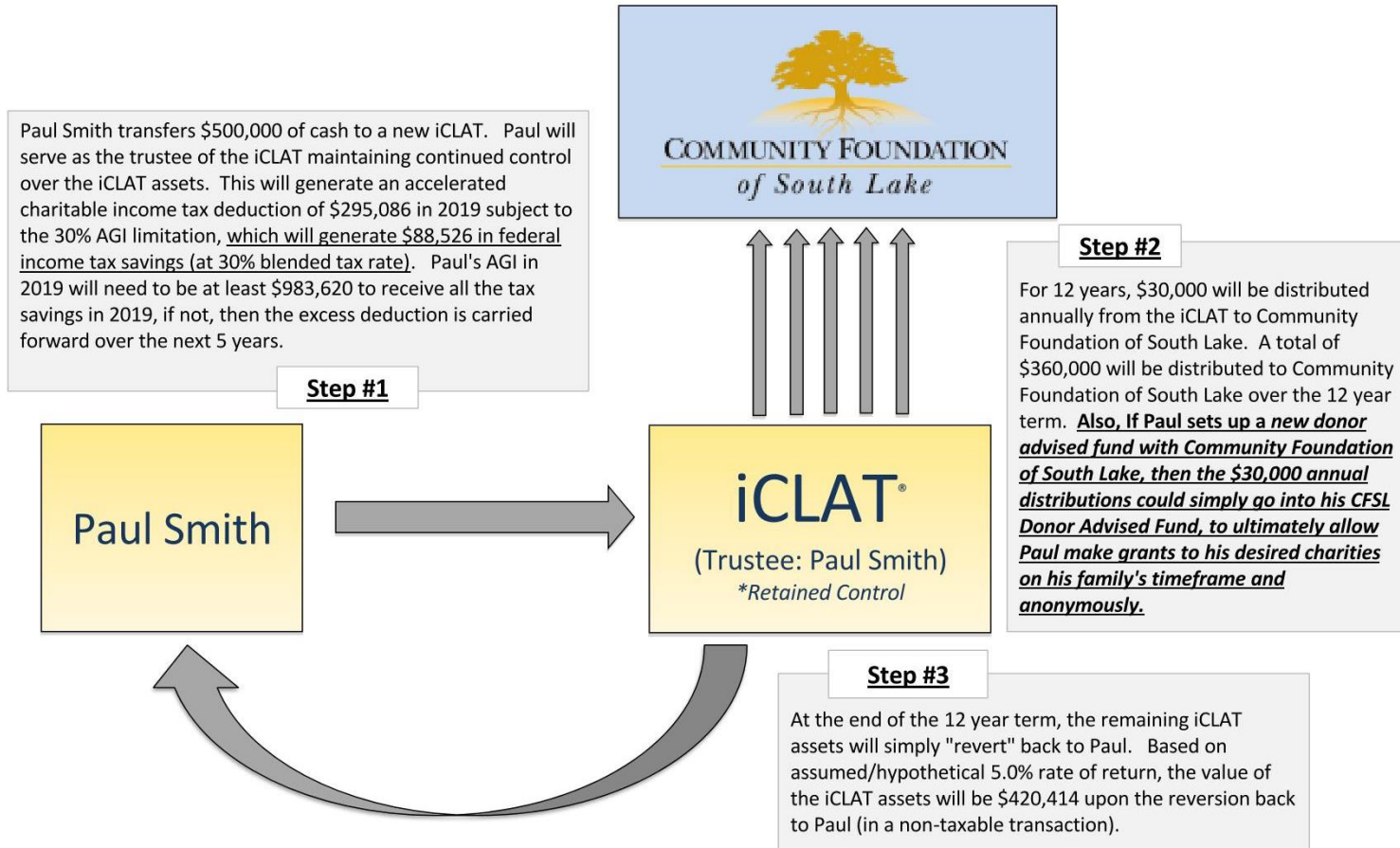


Client Name:	Paul Smith
Value of Assets Contributed to iCLAT:	\$ 250,000
Type of Assets Contributed to iCLAT:	Cash
Desired Term of iCLAT (# of Years)	10
Annual Payments to Community Foundation of South Lake	\$ 15,000
Assumed Annual Income /Growth Rate:	2.5% 2.5% 5.0%

Year	Beginning Principal	Assumed Net Income		Assumed Growth		Annual Payments to CF South Lake	Year-End Principal	Net Growth in Principal
		Rate	Amount	Rate	Amount			
1	\$ 250,000	2.5%	\$ 6,250	2.5%	\$ 6,250	\$ 15,000	\$ 247,500	\$ (2,500)
2	\$ 247,500	2.5%	\$ 6,188	2.5%	\$ 6,188	\$ 15,000	\$ 244,875	\$ (2,625)
3	\$ 244,875	2.5%	\$ 6,122	2.5%	\$ 6,122	\$ 15,000	\$ 242,119	\$ (2,756)
4	\$ 242,119	2.5%	\$ 6,053	2.5%	\$ 6,053	\$ 15,000	\$ 239,225	\$ (2,894)
5	\$ 239,225	2.5%	\$ 5,981	2.5%	\$ 5,981	\$ 15,000	\$ 236,186	\$ (3,039)
6	\$ 236,186	2.5%	\$ 5,905	2.5%	\$ 5,905	\$ 15,000	\$ 232,995	\$ (3,191)
7	\$ 232,995	2.5%	\$ 5,825	2.5%	\$ 5,825	\$ 15,000	\$ 229,645	\$ (3,350)
8	\$ 229,645	2.5%	\$ 5,741	2.5%	\$ 5,741	\$ 15,000	\$ 226,127	\$ (3,518)
9	\$ 226,127	2.5%	\$ 5,653	2.5%	\$ 5,653	\$ 15,000	\$ 222,434	\$ (3,694)
10	\$ 222,434	2.5%	\$ 5,561	2.5%	\$ 5,561	\$ 15,000	\$ 218,555	\$ (3,878)
TOTALS			\$ 59,278		\$ 59,278	\$ 150,000	\$ 218,555	\$ (31,445)

Current Year "Accelerated" Charitable Income Tax Deduction	\$ 126,657
Federal Income Tax Savings 30% Federal (assumed blended tax rate)	\$ 37,997
<i>*to receive all income tax savings in 2019, Paul's 2019 AGI needs to be at least: \$422,190</i>	
Value of iCLAT Assets to Revert Back to Paul After Year: 10	\$ 218,555
<i>*Illustrated value only. The future value of iCLAT assets will depend entirely on actual rates of return.</i>	
Total Payments to Community Foundation of South Lake	\$ 150,000

iCLAT Diagram #1: 12 Year; \$ 30,000 Annual Payments to Community Foundation of South Lake
Initial Asset Funding of iCLAT: \$ 500,000



Client Name:	Paul Smith		
Value of Assets Contributed to iCLAT:	\$	500,000	
Type of Assets Contributed to iCLAT:	Cash		
Desired Term of iCLAT (# of Years)	12		
Annual Payments to Community Foundation of South Lake	\$	30,000	
Assumed Annual Income /Growth Rate:	2.5%	2.5%	5.0%

Year	Beginning Principal	Assumed Net Income		Assumed Growth		Annual Payments to CF of South Lake	Year-End Principal	Net Growth in Principal
		Rate	Amount	Rate	Amount			
1	\$ 500,000	2.5%	\$ 12,500	2.5%	\$ 12,500	\$ 30,000	\$ 495,000	\$ (5,000)
2	\$ 495,000	2.5%	\$ 12,375	2.5%	\$ 12,375	\$ 30,000	\$ 489,750	\$ (5,250)
3	\$ 489,750	2.5%	\$ 12,244	2.5%	\$ 12,244	\$ 30,000	\$ 484,238	\$ (5,513)
4	\$ 484,238	2.5%	\$ 12,106	2.5%	\$ 12,106	\$ 30,000	\$ 478,449	\$ (5,788)
5	\$ 478,449	2.5%	\$ 11,961	2.5%	\$ 11,961	\$ 30,000	\$ 472,372	\$ (6,078)
6	\$ 472,372	2.5%	\$ 11,809	2.5%	\$ 11,809	\$ 30,000	\$ 465,990	\$ (6,381)
7	\$ 465,990	2.5%	\$ 11,650	2.5%	\$ 11,650	\$ 30,000	\$ 459,290	\$ (6,700)
8	\$ 459,290	2.5%	\$ 11,482	2.5%	\$ 11,482	\$ 30,000	\$ 452,254	\$ (7,036)
9	\$ 452,254	2.5%	\$ 11,306	2.5%	\$ 11,306	\$ 30,000	\$ 444,867	\$ (7,387)
10	\$ 444,867	2.5%	\$ 11,122	2.5%	\$ 11,122	\$ 30,000	\$ 437,111	\$ (7,757)
11	\$ 437,111	2.5%	\$ 10,928	2.5%	\$ 10,928	\$ 30,000	\$ 428,966	\$ (8,144)
12	\$ 428,966	2.5%	\$ 10,724	2.5%	\$ 10,724	\$ 30,000	\$ 420,414	\$ (8,552)
TOTALS			\$ 140,207		\$ 140,207	\$ 360,000	\$ 420,414	\$ (79,586)

Current Year "Accelerated" Charitable <u>Income</u> Tax Deduction		\$295,086
Federal Income Tax Savings	30% Federal (assumed blended tax rate)	\$ 88,526
<i>*to receive all income tax savings in 2019, Paul Smith's 2019 AGI needs to be at least: \$983,620</i>		
Value of iCLAT Assets to Revert Back to Paul Smith After Year: 12		\$ 420,414
<i>*Illustrated value only. The future value of iCLAT assets will depend entirely on actual rates of return.</i>		
Total Payments to Community Foundation of South Lake		\$ 360,000



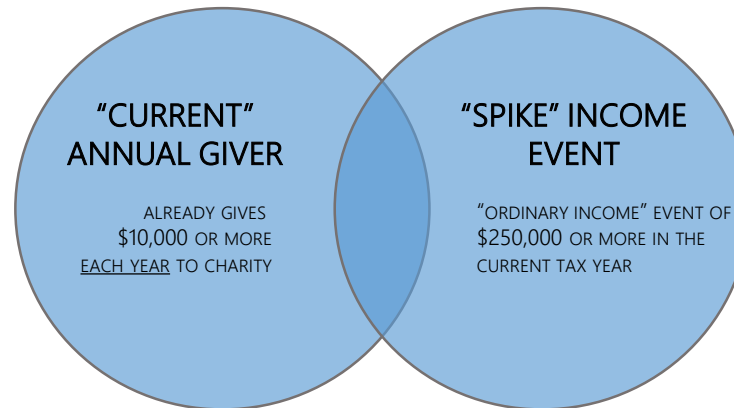
IDEAL SCENARIO #1

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IDEAL SCENARIO #1:

A person, who regularly gives \$15,000 or more annually to various charities and his place of worship, receives a \$300,000 bonus, commission, distribution or conversion from IRA/401k.



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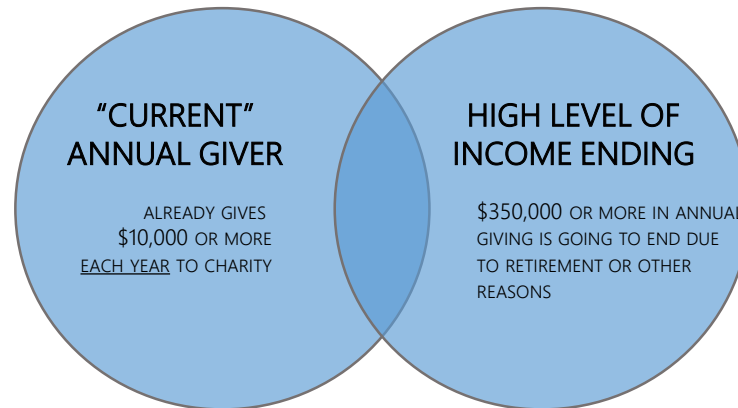
IDEAL SCENARIO #2

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IDEAL SCENARIO #2:

A person, who regularly gives \$15,000 or more annually to various charities and his place of worship, and is about to RETIRE after regularly earning income of \$350,000 or more annually (common examples: physician, executive, attorney, CPA, or professional athlete).



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Additional TAKEAWAYS 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 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.
- The iCLAT will not disrupt the client/donor’s existing estate plan – the iCLAT contains a “pour-over” provision to his or her revocable trust or last will & testament.
- Great alternative planning option to “BUNCHING” multiple years of annual gifts into a single year.

THANK YOU!

QUESTIONS?

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