

[admin](#) - Wed, 2/12/2014 - 12:49

A step charitable lead annuity trust is a type of charitable lead annuity trust. Sometimes called an escalating payment lead trust, it shares all characteristics of a standard charitable lead annuity trust except that its payments to charity are not the same fixed amount every year. Instead, the payments increase during the term of the trust according to a pre-determined schedule that is included with the lead trust instrument.

Starting the payments to charity at a relatively low amount and then increasing the amount over the term of the trust can be advantageous to the heirs of the trust. This approach to payments typically gives the assets inside the trust more opportunity to grow in value and accumulate tax-free for the ultimate benefit of the donor's heirs.

Typically, the payment to charity increases by the same dollar amount or percentage each year of the trust. For example, the trust payment might increase \$5,000 each year or 10% each year. However, the payment to charity can increase according to a more complex schedule, such as by 10% every third year or by 10% each year for the first five years and then by 5% each year thereafter. The only requirement is that the amount of each payment is knowable from a schedule that is included with the original trust instrument.

Although it is possible for the schedule to include decreases in payments, as a practical matter this is very rarely if ever done.

[Print](#)

Categories

[Charitable Lead Annuity Trust](#)