

## Transferring wealth to future generations

The U.S. Legacy Income Trusts (Trusts) are next-generation charitable planned-giving instruments designed to assist Donors in establishing a legacy of philanthropy, while also helping to address personal financial objectives that may include the tax-efficient transfer of wealth across generations of the Donor's family.

### 2017 Tax Law Changes

The Tax Cuts and Jobs Act of 2017 (2017 Tax Act) imposed sweeping changes in federal tax law, including a doubling of the allowable lifetime gift and estate tax exemption through the end of 2025.

Under current law, a Donor's gifts to other individuals are subject to the 40% federal gift tax only to the extent the cumulative amount of the Donor's lifetime gifts not covered by the annual gift tax exclusion, the gift tax marital deduction or other permitted exceptions exceeds the Donor's lifetime gift and estate tax exemption (in 2022, \$12.06 million for an individual and \$24.12 million for a married couple).

As provided in the 2017 Tax Act, the lifetime gift and estate tax exemption will revert to 2017 levels (\$5.49 million for individual taxpayers and \$10.98 million for a married couple), adjusted for inflation, on January 1, 2026. While changes in tax law are unpredictable, future legislation could be enacted to roll back the 2017 exemption increase or narrow the timeframe over which it remains in effect.

### Establishing a Trust Account

Donors seeking to take advantage of the expansive current federal gift and estate tax exemption may consider establishing a Trust account for which they name their children or other future generations of family members as initial or future income beneficiaries.

**Assets used to establish Trust income interests for designated income beneficiaries other than a Donor are typically excluded from the Donor's taxable estate and treated as completed gifts for gift tax purposes upon the Donor's contribution to the Trust.** Gifts of Trust income interests in 2022 may therefore help a Donor use his or her gift and estate tax exemption effectively before the exemption is reduced as described above.

Naming future generations of family members as Trust account income beneficiaries has a number of other potential advantages:

- **Donor receives a federal income tax deduction** based on the charitable remainder portion of contribution value
- **Donor avoids recognition of capital gains** on contributions of appreciated assets
- **Distributions continue for life** of designated individual income beneficiaries
  - Trusts seek to increase distributions over time with inflation to avoid erosion of purchasing power
  - Distributions expected to consist primarily of qualified dividend income subject to favorable income tax treatment
- **Donor may designate up to ten (initial and future) individual income beneficiaries**
  - Unlike charitable gift annuities and charitable remainder trusts, Trust contributions are not subject to charitable interest floors that limit opportunities to name younger income beneficiaries
- **Can be used to establish a multi-generational legacy of charitable giving** by naming family members to help continue to give to qualified charitable organizations

The Trusts are pooled income funds of the U.S. Charitable Gift Trust® (Gift Trust), a tax-exempt public charity offering donor-advised funds. The Trusts and Gift Trust are sponsored by Eaton Vance Management, a longtime leader in wealth management solutions.

To learn more about the Trusts, please refer to the Trusts' current Information Statements available at [uslegacyincometrusts.org](https://uslegacyincometrusts.org) or call us at **800.836.2414**.

### Important Information and Disclosures

The Trusts are pooled income funds described in Internal Revenue Code Section 642(c)(5) established in 2022 by the Gift Trust as part of the Gift Trust's U.S. Legacy Income Trust program, which it established in 2019.

If a Donor designates as an income beneficiary a grandchild or another individual treated as being two or more generations removed from the Donor (sometimes known as a "skip person") for purposes of the federal generation-skipping transfer (GST) tax, distributions from the Trust to the beneficiary may be subject to GST tax if the Donor has not allocated GST exemption to the beneficiary's income interest on a gift or estate tax return. Where applicable, the federal GST tax is levied in addition to gift or estate taxes that apply, and is not a substitute for them. The rules governing the federal GST tax are complex. Donors who are considering naming a skip person as an income beneficiary should consult their own tax advisors regarding the associated GST tax consequences.

When a Donor makes a contribution to a Trust account with multiple income beneficiaries, the federal gift, estate and GST consequences of such contribution may be more complicated. In addition to the federal gift, estate and GST taxes that may apply, a number of states impose estate, GST and/or inheritance taxes. In addition, Connecticut imposes a gift tax on resident taxpayers' gifts to individuals in excess of permitted exemptions and exclusions. See "Tax Considerations" in the Trusts' current Information Statements (Information Statements). **All Donors should consult their own tax advisors regarding potential federal, state, local or non-U.S. gift, estate, GST, inheritance and other tax consequences of their contributions to a Trust.**

To comply with federal law applicable to pooled income funds, the Trusts do not accept contributions of federally tax-exempt securities or shares of funds holding federally tax-exempt securities. The Trusts also do not accept contributions of securities that have been held by the Donor for one year or less. Subject to the approval of Eaton Vance Trust Company (Trustee), the Trusts may accept certain privately held or restricted stock. All transferred property must be free and clear of any liens, encumbrances or other adverse claims. All Trust activities and the participation of Donors and income beneficiaries in the Trusts are subject to the requirements of state and federal law, the terms and conditions of the Trusts' Declarations of Trust, the Trusts' Information Statements and the completed Donor Contribution Form submitted by each Donor. The Gift Trust's Board of Directors reserves the right to modify the Trusts' program at any time, subject to the provisions of the Trusts' Declarations of Trust and state and federal law.

Any contribution to a Trust, once accepted by the Trustee, represents an irrevocable commitment. Contributions cannot be rescinded or changed, and are subject to the exclusive legal control of the Trusts, the Trustee and the Gift Trust's Board of Directors.

Donors to the Trusts should be motivated by charitable intent. As charitable giving vehicles, the Trusts should not be treated as, and are not designed to compete with, investments made for private gain. An intention to benefit the Gift Trust and one or more qualified charitable organizations eligible for support by the Gift Trust should be a significant part of the decision to contribute to a Trust.

The tax consequences of contributing to a Trust will vary based on individual circumstances. Prospective donors should consult their own tax advisors. Nothing in this document or the Trusts' Information Statements should be construed as tax advice.

Trust distributions to income beneficiaries are not guaranteed, may fluctuate with changes in economic conditions, may not grow over time at rates consistent with inflation and may decline. In considering potential changes in annual distribution rates, the Trustee will assess the Trusts' long-term earnings potential and seek to balance the interests of current and future income beneficiaries and the charitable remainder interests. Not all Trust distributions may be treated as qualified dividend income.

Neither the Trusts nor the Gift Trust has been registered under federal securities laws, pursuant to available exemptions.

Neither the Trusts nor the Gift Trust is guaranteed or insured by the United States or any of its agencies or instrumentalities. Contributions are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of, or guaranteed by, any depository institution.

Eaton Vance Distributors, Inc. (Placement Agent) is a paid solicitor of certain Trusts and the Gift Trust, receiving compensation as described in the Trusts' Information Statements and in the Gifting Booklet of the Gift Trust's Donor-Advised Funds.

Prior to March 1, 2021, Eaton Vance, the Trustee and the Placement Agent were wholly-owned subsidiaries of Eaton Vance Corp. (EVC). On March 1, 2021, Morgan Stanley acquired EVC and, as a result, Eaton Vance, the Trustee and the Placement Agent became indirect, wholly-owned subsidiaries of Morgan Stanley. Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, wealth management and investment management services.

