U.S. Legacy
Income Trusts®

Wealth Transfer Idea

Incorporating U.S. Legacy Income Trusts with an Irrevocable Life Insurance Trust

Using this planning strategy, Donors contribute an appreciated asset to a U.S. Legacy Income Trust (USLIT), a turnkey alternative to a charitable remainder trust (CRT). Funding the USLIT enables the Donors to make a charitable contribution, reduce their taxable estate, avoid recognition of capital gains, receive a federal income tax deduction and generate lifetime income. The income (and/or tax savings) from the deduction is used to fund an irrevocable life insurance trust (ILIT), which can be used to purchase a second-to-die policy on the lives of the Donors. At the second death, the proceeds of the life insurance are generally available without being subject to income tax or estate tax, and a family legacy of philanthropy is established from the USLIT, which can be carried on by heirs granting monies to charities over time.

The concept is to replace one asset (appreciated securities) with another potentially larger one (tax-free death benefit from life insurance) at a reduced transfer tax cost, while making a charitable gift.

CASE STUDY: Married Donors (Both 60 Years Old) with a $30M Estate

1 | Fund USLIT

Donors contribute $5M of appreciated stock to fund USLIT. No capital gains recognized and the $5M gift reduces the Donors' taxable estate.

Donors receive an income tax deduction of $1,700,500 Federal tax savings of $629,185[1]

Donors receive $336,500/year of pretax income payments for life[2]

2 | Establish an ILIT[3]

Annual income payments (and/or federal tax savings) from USLIT are used to establish an ILIT.

The ILIT purchases a second-to-die life insurance policy on the lives of the Donors.

Benefits at Death

At surviving Donor's death, USLIT and ILIT provide benefits to the Donors' heirs and charities.

1 **USLIT provides a legacy for heirs to make recommendations to distribute the remaining trust balance to charities of the family's choosing.**

2 **ILIT provides a legacy $16.1M death benefit to heirs without being subject to estate tax in the Donors' estates.**[4]

3 **Estate is reduced by $5M by contributing to USLIT; reducing the Donors' federal estate tax exposure.**[5]

[1] Assuming the Donors make contributions in 2025 and the Donors' income is taxed at the highest federal marginal rate of 37%.

[2] Based on USLIT Trust III.3 initial distribution rate of 6.73% of unit value as of 12/31/2024. Past performance is no guarantee of future results. Investment returns will fluctuate.

[3] Using 10 years of pretax annual distributions of $319,000 to purchase the potential insurance. Please note that in the above example the distributions are pretax and that the annual distributions are expected to be subject to and treated as qualified dividend income subject to a 23.8% federal income tax rate (i.e., 20% long-term capital gains rate plus 3.8% net investment income tax). Actual distributions may vary. State taxes are not taken into account.

- The trust will own and be the beneficiary of the second-to-die policy.
- Donors may not be trustees but family members may.
- Crummey power should be considered to allow donors to pay for premium using their annual exclusion from the federal gift tax, to the extent possible.

[4] For illustrative purposes. Please consult with an insurance professional to obtain actual insurance quotes based on your client's situation.

[5] The lifetime gift and estate tax exemption amounts are $13.99M for individuals and $27.98M for married couples in 2025. To the extent that a donor's taxable transfers during life or at death exceed the donor's available exemption, such transfers are subject to federal tax at a rate of 40%.

Sample Potential Life Insurance by Age

Here are samples of the potential second-to-die insurance policies that can be purchased with (i) 10 years of pretax USLIT distributions or (ii) 10 years of net USLIT distributions.

$5M USLIT Contribution in 2025	USLIT 2025 Deduction (%)[6]	Charitable Deduction	Potential Federal Tax Savings[7]	Assuming a 6.73% Pretax USLIT Distribution[8]	Net Distribution Amount[9]	Life Insurance Purchased with 10 Years of Pretax USLIT Distributions[10]	Life Insurance Purchased with 10 Years of USLIT Net Distributions[9]
55-year-old couple	28.57%	$1,428,950	$528,545	336,500	266,508	$21,239,839	$16,815,007
60-year-old couple	**34.01%**	**$1,700,500**	**$629,185**	**336,500**	**266,508**	**$16,091,354**	**$12,739,255**
65-year-old couple	40.27%	$2,013,500	$744,995	336,500	266,508	$12,260,668	$9,706,672
70-year-old couple	47.31%	$2,365,500	$875,235	336,500	266,508	$9,690,036	$7,671,634

For illustrative purposes. Please consult with an insurance professional to obtain actual insurance quotes based on your client's situation.

USLITs versus CRTs

USLITs offer significant potential advantages:

- Do not require establishment of a new trust
- Can provide a higher deduction for a lifetime payout across all age groups
  - To view examples, visit the **Charitable Deduction Calculator**
- Offer potentially higher distributions due to more favorable tax treatment
  - USLIT distributions taxed primarily at qualified dividend income (QDI) rates
  - CRT distributions are taxed under a tier system, with the top tier taxed as ordinary income
- Distributions are based on a Donor's unit participation in the USLIT, which may provide for a consistent distribution to fund premiums
- Allow for younger and greater number of income beneficiaries, as USLITs are not subject to the 10% remainder test applicable to CRTs
- Offer potentially lower costs to establish and maintain

To learn more about U.S. Legacy Income Trusts, please visit **www.uslegacyincometrusts.org**.

[6] Percentage of USLIT contribution amount that is deductible for federal income tax purposes for a contribution made in 2025.

[7] Assuming the Donors' income is taxed at the highest federal marginal rate of 37%.

[8] Based on USLIT III.3 initial distribution rate of 6.73% of unit value as of 12/31/2024. Past performance is no guarantee of future results. Investment returns will fluctuate.

[9] Net Distribution Amount means the amount available after federal income tax is accounted for, assuming the entire distribution is treated as qualified dividend income and is subject to a 23.8% federal income tax rate (i.e., 20% long-term capital gains rate plus 3.8% net investment income tax rate). State taxes are not taken into account for purposes of these samples.

[10] Using 10 years of pre-federal tax annual distributions to purchase the potential insurance.

Life insurance death benefit is based on last survivor, flexible premium, indexed adjustable life insurance. Proposed insureds are assumed to be a male and a female, both preferred nonsmokers. Death benefit option is level with an annual premium frequency.

This illustration assumes non-guaranteed policy charges and non-guaranteed crediting rates. The insurance payout is not guaranteed. The information provided is for illustrative purposes only. It is not intended to predict actual performance or to suggest that the sample insurance policy is available to any particular donor.

IMPORTANT INFORMATION AND DISCLOSURES

The USLITs are pooled income funds described in Internal Revenue Code Section 642(c)(5) established in 2025 by U.S. Charitable Gift Trust (Gift Trust) as part of the Gift Trust's U.S. Legacy Income Trust program, which it established in 2019. The Gift Trust is a tax-exempt public charity offering donor-advised funds and sponsored by Eaton Vance Management. All USLIT activities and the participation of Donors and income beneficiaries in the USLITs are subject to the requirements of state and federal law, the terms and conditions of the USLITs' Declarations of Trusts, the USLITs' Information Statements and the completed Applications submitted by each Donor.

The Gift Trust's Board of Directors (Board of Directors) reserves the right to modify the USLITs' program at any time, subject to the provisions of the USLITs' Declarations of Trust and state and federal law. Any contribution to a USLIT, once accepted by the Trustee of the USLIT (Trustee), represents an irrevocable commitment. Contributions cannot be rescinded or changed, and are subject to the exclusive legal control of the USLIT, the Trustee and the Board of Directors. Donors to the USLITs should be motivated by charitable intent. As charitable giving vehicles, the USLITs 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 USLIT.

The tax consequences of contributing to a USLIT will vary based on individual circumstances. Prospective Donors should consult their own tax advisors. Nothing in this flyer or the Information Statements should be construed as tax advice. Distributions to income beneficiaries are not guaranteed by any party, and are subject to investment risk. In considering potential changes in annual distribution rates, the Trustee will assess the USLITs' long-term earnings potential and seek to balance the interests of current and future income beneficiaries and the charitable remainder interests.

Neither the USLITs nor the Gift Trust has been registered under federal securities laws, pursuant to available exemptions. Neither the USLITs 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. is a paid solicitor of certain USLITs and the Gift Trust, receiving compensation as described in the Information Statements and in the Donor-Advised Funds' Gifting Booklet.**

An ILIT is an irrevocable trust with complex income tax, gift tax, generation-skipping transfer tax, and estate tax implications. Prospective Donors considering an ILIT should consult their estate planning attorneys.

NOT FDIC INSURED. OFFER NO BANK GUARANTEE. MAY LOSE VALUE. NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. NOT A DEPOSIT

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