



# LM Charitable Gift Trust

*“It is up to us to live up to the legacy that was left for us,  
and to leave a legacy that is worthy of our children  
and of future generations.”*

*Christine Gregoire  
Governor of Washington*

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# LM Charitable Gift Trust

Launching a giving initiative or extending an existing philanthropic legacy can be both gratifying and burdensome. Complex laws, the maze of Internal Revenue Service regulations and administrative tasks require an extensive commitment of time, money and effort. It is prudent to consider what kind of philanthropic vehicles fit your charitable vision, without assuming the burden of going it alone.

## What is the LM Charitable Gift Trust?

The LM Charitable Gift Trust facilitates your giving by addressing the administrative, due diligence and investment burdens. Through the LM Charitable Gift Trust, you may establish a separate account, known as a Donor Advised Fund, and make a permanent, tax-favored gift of cash or appreciated securities tailored to promote your own charitable interests and favored programs. Your grant recommendations reflect your interests and the nonprofit organizations of your choice - whether they reside in the arts, education, social programs, or religious institutions.

## LM Charitable Gift Trust: Tailored, Flexible, Comprehensive

**Tailored:** When you take advantage of the LM Charitable Gift Trust, a Fund is created with your donation in the name you designate. For example, you can create “The Five Winslows Charitable Fund” or the “Everett Johnson Family Fund.” While the Trust is required to maintain legal control over the Fund, you benefit from the goal setting, guidance and oversight of your LMIC Portfolio Manager, who works with your recommendations to set investment goals for the Fund, and maintains close touch with the Trustees of the Trust who research your suggested grants and handle all record-keeping and grants administration.

**Flexible:** Donations can be made at the last minute; a Fund established by December 31 earns a current year tax deduction (to the extent allowed). A gift determination can be deferred or funded over a period of years through distributions from your Fund. The timetable is yours to determine.

**Comprehensive:** With the LM Charitable Gift Trust, you leave the legal, investment and accounting burdens to us. As the donor, you focus your energies on setting the tone for your philanthropy and recommending grants for funding.

## Tax Benefits

Your tax burden is reduced in four ways when you allow the LM Charitable Gift Trust to house your philanthropic activities:

1. Lower your current year income tax - Contributions are tax deductible in the year they are made: Up to 50% of Adjusted Gross Income (AGI) for cash gifts, and up to 30% of AGI for gifts of appreciated securities and other appreciated assets.
2. Avoid capital gains tax on gifts of appreciated property.
3. Reduce the estate tax burden. Gifts to the Trust are permanent gifts.
4. Grow assets in your Fund with the Trust tax free. You pay no tax on investment income in your Fund.

The Trust will accept contributions from other Donor Advised Funds and private foundations, although such donations are not tax deductible by the donor.

You can name the Trust as beneficiary of your IRA or other retirement account. This avoids the income tax on distribution from these accounts.

## Reporting

You will receive from the Trust’s administrative agent quarterly statements of the investment status of your Fund and an annual summary of the grants made. This will provide you with an overview of the Fund’s philanthropic activities to assist you in planning future grants.

## Gift Acknowledgement

When the Trust sends a gift check from your Fund, the accompanying letter notifies the charity that the gift is being made at your suggestion out of assets you contributed to the Trust. The Trust requests the charity to send an acknowledgement of the gift to the Trust with a copy to you. At your discretion, the letter can state that the gift is on behalf of an unnamed donor who wishes to remain anonymous.

# Which Giving Vehicle is Right for You?

LM Charitable Gift Trust is designed for donor advised funds, which are among the fastest growing charitable vehicles, because they offer an organized, customized and flexible way to carry out your future charitable intentions.

Private foundations are also created for these activities; however, the tax, administrative and disclosure burdens of a private foundation discourage some donors. Consider an objective comparison between donor advised funds and private foundations:

## Two Options for Philanthropy

	Private Foundations	LM Charitable Gift Trust
Donor Start-Up Costs	Legal, accounting and administration costs	None
<b>Income Tax Deduction</b>		
Gifts of cash	Up to 30% of donor's adjusted gross income (AGI)	Up to 50% of donor's AGI
Gifts of qualified appreciated (publicly traded) stock held more than one year	Fair market value (FMV) up to 20% of donor's AGI	FMV up to 30% of donor's AGI, or (if donor elects) cost basis up to 50% of donor's AGI
Gifts of appreciated closely held stock, real estate & other capital assets held more than one year	Cost basis up to 20% of donor's AGI	FMV up to 30% of donor's AGI, or (if donor elects) cost basis up to 50% of donor's AGI
Gifts of appreciated capital assets held one year or less	Cost basis up to 30% of donor's AGI	Cost basis up to 50% of donor's AGI
Estate Tax Deduction	100% of gift	100% of gift
Gift Tax Deduction	100% of gift	100% of gift
Excise Taxes	Up to 2% of annual income	None
Distribution Required	5% of assets annually	No required payout by Advised Fund. Unless requirement waived by Trustees, Trust must distribute at least 15% of annual contributions received
Donor's Administrative Responsibilities	Develop governance & staffing Manage assets Keep records Prepare IRS reports Select charities Verify not-for-profit status Make/administer grants	None
Decision-making	Trustees selected initially by donor May be donor and family	Independent Trustees, with suggestions from donor or donor's designee as to investment strategy and charitable organizations to receive grants
Annual Expenses	Variable depending upon the level of legal, investment and other professional advisor involvement Typically 2%-5% per year	Up to 1.8% of assets
Public Exposure	Must file detailed and public tax returns on grants, investment fees, trustee names, staff, salaries, etc.	Names of individual donors can be kept confidential if desired Grants can be made anonymously

Special tax rules apply in limited situations. Consult your tax advisor for more information regarding tax consequences of gifts to LM Charitable Gift Trust.

Existing private foundations should consider establishing a Donor Advised Fund (DAF). For donors with a private foundation, a DAF offers several advantages, as outlined above. Your foundation's required 5% annual payout can be made to the DAF, allowing you more time to plan your giving. Alternatively, the entire private foundation can be converted to a DAF.

# Due Diligence

Donors to the LM Charitable Gift Trust may recommend that a Fund support a broad range of recipient organizations that reflect their interests.

The LM Charitable Gift Trust supports your philanthropic intentions with a financial and organizational review of each donee organization you recommend. We assume the administrative burden of reviewing the financial report, tax status and activities of the organization. Subsequent to our satisfactory review, the Trustees recommend a grant on your behalf.

Eligible charities include any publicly supported organization that is exempt from tax under Section 501(c)(3) of the Internal Revenue Code other than certain "supporting" organizations or other charities deemed controlled by donors to the Fund. Although the charity must be a domestic legal entity, its activities may take place outside the U.S. The Trust does not permit distributions to private foundations.

# Investment Management

The Trustees have retained Legg Mason Investment Counsel (LMIC) as investment manager for the assets of the Trust. Comprehensive investment management is provided through skilled portfolio managers, whose focus is on optimizing performance. An appropriate investment policy statement is determined for your Fund by the portfolio manager working with the Trustees and taking into account your philanthropic goals for the Fund. Active dialogue and frequent communication provide for a close relationship with the portfolio manager, who is focused on your Fund's objectives. Risk management is the cornerstone of the LMIC investment process, in contrast to other managers who are singularly focused on beating benchmark returns.

# Grant Making

As a donor to your Fund with LM Charitable Gift Trust, you may recommend at any time a new gift of \$1,000 or more from your Fund to any eligible charity of your choice. (Such requests should be made in writing and cannot be made to fulfill pre-existing pledges, nor can grants be made to private foundations.) You may indicate if you wish to remain anonymous in the acknowledgement of the gift.

The Trustees will determine whether the recommendation is consistent with the operating procedures and charitable purposes of the Trust. After reviewing the information requested from the charity, we will advise you of this determination. We will handle the communications with the organization and funding of the gift on your behalf.

Make charitable giving a part of your comprehensive wealth plan. The pleasure of the gift is in the giving.

# About Legg Mason Investment Counsel

Legg Mason Investment Counsel provides customized investment counsel to individuals, family groups and institutions through client-facing portfolio managers. Our investment management approach seeks to maximize performance while managing risk through an investment discipline that is supported by fundamental research and investment resources dedicated to meeting your investment needs. Close communication is a hallmark of our client performance standard. Legg Mason Investment Counsel & Trust Company, N. A. is a subsidiary of Legg Mason, Inc., which is a global asset management firm.

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