

Santa Barbara County's
United Way



Mike and Betty Noling are members of the Heritage Club and Leadership Silver Circle.

Charitable Bequests: Set Your Plan in Motion

The valuable work we do could never be possible without the generous bequests of our friends. Indeed, some of our most important programs and services bear the names of dedicated persons who have left their legacies through charitable bequests. A charitable bequest, of course, is simply a gift made through your will. It can be for a specific purpose such as a favorite program or service, or it could be unrestricted so that we can use the gift to meet our current needs. Whatever the purpose, every bequest is important and goes toward helping us achieve our mission.

There are also different kinds of charitable bequests available to a donor. The type of bequest that you choose and the language you use to put it into effect can have major consequences. Charitably minded persons consider their options to ensure that their gifts accomplish the intended purpose...and the best financial and tax benefits.

Planning an effective bequest — that's the focus of this issue of *Visions*. We think you will enjoy it and find it useful in your planning. To learn more, you can send for our booklet *Charitable Bequests — How to Get the Most Out of Yours*. Or call us and explore how you can partner with us through a charitable bequest that can be mutually rewarding. Set your plan in motion today.

visions IN PERSONAL PLANNING

Different Bequests, Same Generous Spirit

In your will, you leave instructions as to what will be done with your property. Those individual instructions are called bequests. A bequest is a formal way of distributing your estate. When you include a bequest in your will, you need to be exact about what you want to give and how you want to give it.

Many people have a general understanding of bequests, but often are not aware of the different types. By understanding the differences, you can choose the type of bequest that will best accomplish your personal and financial objectives.



Four Types of Bequests

Which one is best for you?

■ **A Specific Bequest** is a dollar amount or item of property from your estate to go to a beneficiary. A good example would be the family silver that you want to go to your son and his wife. Other examples would be the bequest of a valuable book collection to the library of your alma mater, or a cash gift to the neonatal program at the hospital where your children were born.

It is very important that specific bequests be, well, “specific.” Vagueness can lead to confusion. Specific bequests are paid first in estate administration, so beware of two potential pitfalls: one, other kinds of bequests you make in your will may fail if your estate lacks the liquidity to pay administration costs after specific bequests are paid; and two, a specific bequest of property cannot be satisfied if you dispose of the property before death.

■ **A Percentage Bequest** is the designation of a fraction of the available balance of the estate to a beneficiary. This is a sensible type of bequest because the amount of the bequest is tied to the value of your estate. That assures all beneficiaries will share in an increase or decrease in value. For instance, you may choose to designate that 25 percent of the value of a stock holding should go to a particular charity and 75 percent to your three children. Whether the

market goes up or down, all beneficiaries receive the same proportion of that asset as you intended.

Example: In her will, Helen Singleton directed that 15 percent of the value of her net estate should go to her favorite charity. At the time she created her will, she did not own a great deal, but wanted to make this bequest because she believed in the charity. Many years later, after a good life (and after she sold her holdings in a small business), Helen passed away. She left an estate of \$2 million and the charity received a bequest of \$300,000. In the years before she died, Helen often met with her attorneys and financial planners to discuss how she could



share her wealth and provide for those she loved in her estate plan without shortchanging any of her designated beneficiaries. Helen always had smiled when she said, “Keep the 15 percent in place — that’s always been a good gift to make.”

■ **A Residual Bequest** assigns to a designated person or charity all that remains of your estate after the payment of administration costs, taxes and expenses, and all specific bequests have been satisfied. A simple way to describe the residue of an estate is that which is “left over.” After you have made provisions for individuals, you can give whatever is left of your estate to a worthy charity. This option assures that your loved ones are taken care of first.

■ **A Contingent Bequest** is a bequest to an individual or organization only under certain circumstances. For instance, if you are married and have no children, you may state in your will that your entire estate will go to your spouse. However, you may add that in the event your spouse is not alive at your death (or fails to survive you by a specified period), your estate will go to a charitable organization such as ours.

Example: While preparing her will, Gladys Williams considered leaving her vacation home (a condominium near the seashore) to her favorite charity. However, Gladys remembered all the wonderful times that she and her only sister, Abby, had spent at the shore, and Gladys wants Abby to be able to continue to vacation there. In her will, Gladys left the vacation home to Abby, but also included a contingent bequest stating that the property will go to her favorite charity in the event that Abby predeceases Gladys. By including a contingent bequest, Gladys has the comfort of knowing that her vacation home will be put to good use if Abby is not alive to enjoy it.

What are the Tax Benefits of Charitable Bequests?

A charitable bequest generally qualifies for a full charitable deduction for federal estate tax purposes if certain requirements are met. Since the federal estate tax rate can reach as high as 46 percent, the tax deduction for a charitable bequest is important. The tax savings from the deduction reduce the true economic cost of making the bequest — by as much as 46 percent for an estate in the top bracket.



Be Sure that Your Will is Current

Remember that a will is not something that lasts forever. Some of the intentions that you state in your will may not apply after five, ten or twenty years — but the last will that you sign stands as your official instructions as to what should be done no matter what happens afterward. For instance, you may decide to split your entire estate between your three children. But what if one or more of your children do so well that they do not necessarily need anything more than keepsakes like jewelry or antiques? Sure, it is nice to leave money to loved ones, but you may feel that part of your estate could be put to better use and do even more good.

There are different ways to keep your will current. You might revoke your prior will by executing a new one — starting from scratch. Or you might add a codicil to your will — a provision or addition to your will that is properly signed, dated and witnessed.

Always be sure to consult your advisors when making a change to your will. They can help you decide how to best update your will and to make certain that it accomplishes all of your objectives. Remember, a valid will is essential for carrying out your bequest intentions.

What Are the Practical Benefits?

Charitable bequests have great donor appeal for many practical reasons: One, they are so easy to make. You can include a bequest to us when you write your will. Or, if you already have a will, simply add a bequest provision through a codicil. Two, there is no need to provide upfront money to fund a charitable bequest because the bequest is taken from your estate — you keep and enjoy today the same assets that you plan to give the charity in the future. And, three, you can change your mind about a charitable bequest — circumstances change and people change, and so can your will. If you think of a better way to help our organization, we encourage you to amend your will with the help of your attorney.

Why It's Important to Let Us Know

If you have included us in your will, we would like the opportunity to thank you and to recognize you. We are especially interested to know how you would like your bequest to benefit our organization and we look forward to discussing what your bequest can do. Also, we can check to be sure our exact legal name is used in your will so that your bequest will be valid.



Learn How You Can Benefit

If you would like to find out more about how you can personally benefit from planning a bequest, please send for our new booklet, *Charitable Bequests — How to Get the Most Out of Yours*. It contains in-depth information about drafting and executing an effective will that can express who you are as a person. It even provides sample language for a charitable bequest — information you may want to share with your attorney. We urge you to send for the booklet today. As always, if we can help you in any way, please let us know.

Exact Wording: If you have considered including a bequest to our organization in your will, using our legal name is important. Our legal name is **United Way of Santa Barbara County**.

**Santa Barbara County's
United Way**



Judy Goodbody, CFRE, Certified Tax Specialist
Gift Planning Services Officer

320 East Gutierrez Street
Santa Barbara, CA 93101
Tel 805/965-8591, ext 120
Fax 805/962-3461

jgoodbody@unitedwaysb.org
www.unitedwaysb.org/endowment.html

This publication is designed to provide accurate information in regard to the subject matter covered. It is sent out with the understanding that neither the publisher nor any distributor is engaged in rendering legal, accounting, investment or other professional services. If such services are required, the advice of competent professionals should be sought.