

**United Way
of Santa Barbara County**



Charitable Bequests: The Thought that Counts

Bequests are the most popular form of planned gift. There are many reasons for this popularity — some reasons simple and others complicated. We don't always know the exact reason why a donor chooses to make a bequest to United Way of Santa Barbara County, but we are thankful for it. We make an effort to honor every gift with a thoughtful and forward-thinking purpose.

Because bequests are so popular with donors, we have devoted this issue to presenting and explaining bequest basics — how to make a bequest, tax benefits, and the importance of keeping a will up-to-date. A better understanding of bequests can open up many options available to a donor who wants to include a gift to a charity in an overall estate plan.

We hope you enjoy this newsletter and find it useful in your planning. To learn more, send for our booklet *Charitable Bequests — How to Get the Most Out of Yours*. Or call us to discuss the best and most effective use for your planned bequest.

Sincerely,

Judy Goodbody, CFRE, IAR, CRTP
Gift Planning Services Officer



Heritage Club members Karen Anne and Peter Platt

visions^{IN} PERSONAL PLANNING

How Do You Make a Gift from Your Estate?

Recent surveys show that a remarkable percentage of Americans have not yet written a will, and that is a reason for concern. Without a will, important and sensitive decisions about an estate fall into a one-size-fits-all plan designed by your state (intestacy). If you care about what should be done with your property, you should have a will.

A bequest is a formal way of giving a gift from your estate. Many people understand the idea of the bequest, but not everyone knows the different types of bequests. Knowing the various ways of leaving property through a will can help you choose the type of bequest that best fits your intentions.

Four Types of Bequests — Which One Suits Your Purpose?

▪ **A SPECIFIC BEQUEST** is an exact description of a dollar amount or specific asset 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 include the gift of a rare book collection to the library of your alma mater, or a cash gift for the neo-natal unit at the hospital where your children were born.

It is very important that specific bequests be exact — vagueness can lead to confusion. Keep in mind that specific bequests are the first to be satisfied when your estate is administered.

▪ **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 relative size of the bequest is tied to the value of your potential estate, and that protects all heirs against inflation and changes in value. For instance, you may choose to designate that 25 percent of the value of a stock holding should go to a worthy cause and 75 percent to your heirs. Whether the market goes up or down, all the beneficiaries receive the exact proportion of that asset as you intended.

▪ **A RESIDUAL BEQUEST** assigns all that remains after the payment of administration costs, taxes and expenses, and every other bequest has been satisfied. A simple way to describe the residue of an estate is that which is “leftover.” After you have made

provisions for individuals with exact amounts, you can give whatever is left of your estate to be distributed to a worthy charity. This option assures that your heirs are taken care of first.

▪ **A CONTINGENT BEQUEST** is a statement that you will give a gift 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 the time when your estate is distributed, your estate will be sure to go to a worthy charitable organization such as ours rather than to unintended beneficiaries.



What is an Ethical Will? Should you have one?

How can you show your love and concern for family and friends in a carefully worded will? One way to add a personal touch is to create what is called an “ethical will.” An ethical will has no legal effect at all, but can be whatever you want to say to those you love. In an ethical will, you can share special memories and speak to the values that you hold dear. With an ethical will, you can state the reasons that you, for instance, specifically gave a ring to your granddaughter, or why you decided to make a particular bequest.

Bequests in Action

SPECIFIC BEQUEST: Robin has collected art for twenty years, and made some wise choices. Robin also supports our organization, and he recently looked into making a charitable gift of the artworks. However, he learned that there are a number of rules that need to be met to get a deduction for a lifetime gift.

Robin ultimately decided to leave several exceptional pieces to the local art museum, and the remaining works to us. His estate will be entitled to a charitable deduction for the full fair market value of the art. The deduction could provide much-needed tax relief so that significant bequests to friends and family can be made. What's more, our organization can keep the art for display or sell the art to fund our work. Robin was very particular in buying the art, and his specific bequest accomplishes his goals.

PERCENTAGE BEQUEST: In his will, Henry directed that five percent of the value of his estate should go to his favorite charity. At the time he created his will, he did not own a great deal. Many years later (and after building a successful consulting business), Henry passed away and left an estate of \$4 million. His family was provided for quite well, and the charity received a gift of \$200,000. When periodically reviewing his will with his advisors in the years before he died, Henry always smiled when he said, "Keep the five percent in place — that's always been a good gift to make."

RESIDUAL BEQUEST: After the death of her husband, Selma had to make a lot of changes. One thing she was sure to do was to re-draft her will. She included provisions for her family and friends... but she also included a residual bequest for our organization. In the future, once her estate has paid all the expenses and her loved ones are taken care of, everything else will be left to us. Selma explained, "I know what I can give to my children, and I know it will be enough. Whatever I have left, I will give away to support work I believe does a lot of good. After all, you can't take it with you."

CONTINGENT BEQUEST: While preparing his will, Gary considered leaving his vacation home (a cabin on a lake) to charity. However, Gary remembered all the wonderful times that he and his family had spent at the cabin, and Gary hated to think that his oldest son and his family could not continue to vacation there if they wanted. In his will, Gary left the vacation home to his son, but also included a contingent bequest to state the property should go to his favorite charity in the event that his son did not want the property. By including a contingent bequest, Gary is sure that the vacation home will be greatly appreciated.





Why Charitable Bequests Appeal to Donors

Charitable bequests have great donor appeal for many reasons:

- One, they are so easy to make.
- Two, there is no need to provide upfront money to fund a charitable bequest because the bequest is taken from your estate.
- Three, you can change your mind about a charitable bequest — circumstances change and people change, and so can your will.

You can include a bequest to us when you visit your attorney and prepare your will. Or, if you already have a will, see about adding a bequest provision through an amendment called a codicil. Please let us know if you want to include us in your will, or if you want to change an existing provision to support us. We are happy to be of help.

Please Let Us Know

We would like the opportunity to thank you and recognize you for supporting us through a bequest. We are especially interested in knowing how you would like your gift to benefit those assisted by United Way of Santa Barbara County. We look forward to discussing your ideas of what the gift can do. Also, we can check to be sure our exact legal name is outlined in your will so that your bequest fulfills your intentions.



BEQUEST LANGUAGE

If you would like to make a bequest to our organization in your will, the exact wording of the bequest is important. Our legal name is **United Way of Santa Barbara County**.

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 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 and what you value. It even provides appropriate sample language for drafting 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.

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