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Bequests and Simple Bequest Alternatives



Date: November 17, 2016
 Time: 1:00 – 2:30 Eastern Time
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 PG Calc



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Why Bequests Matter

- 80%+ of all planned gifts
- Giving USA 2015: Bequests were \$31.76 Billion (8.5% of all charitable giving)
- Bequests often exceed total lifetime giving
- Any donor can do a bequest intention
- The role of bequests in blended gifts

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The Roles Played by Gift Officers & Others

- Gift officers do not need to be estate planning technicians
- A basic understanding of estate planning and taxation will instill confidence
- Donors should be advised to have competent estate planning counsel




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Why Donors Like Bequests

- Easy to arrange
- Revocable
- Retain control of the assets
- Flexible
- Reduce estate taxes (if applicable)




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Effective Identification of Bequest Donors

- The Marketing Funnel
- Most donors will not do a bequest gift
- Suspects
- Prospects
- Qualified prospects
- Closed estate commitment




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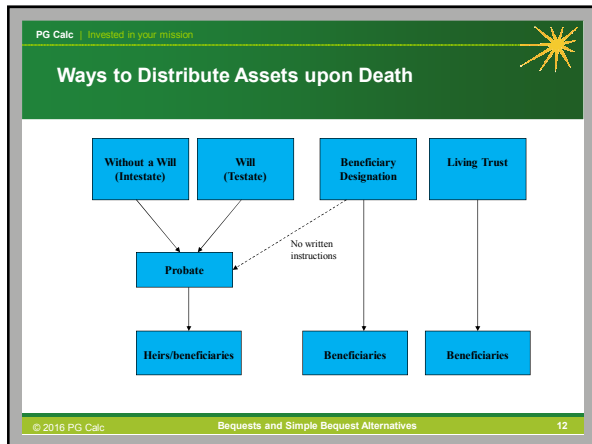
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Best Prospects

- Donors who self-identify
- Childless
- Members of monthly giving program
- Consistent long-time donors
- Board of Trustee members
- Major gift donors/Endowed fund donors
- Donors with Donor-Advised Funds
- Volunteers
- Age demographic




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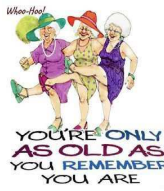
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- ## Bequest Fundamentals
- Wills
 - Die with a will – testate
 - Die without a will – intestate (state law controls)
 - Will controls assets owned in the decedent's name alone
 - Compare with joint tenants with right of survivorship
 - Compare with assets controlled by a beneficiary designation
 - Living Trusts
 - Created during lifetime
 - Only controls assets owned by the trust
 - At death, the trust agreement governs
- 
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- ## Arrangements Similar to Bequests – Beneficiary Designations
- Does not go through probate – the will or trust does not control
 - Pay on Death (POD) or Transfer on Death (TOD)
 - Life Insurance
 - Donor-Advised Funds
 - Retirement accounts – IRA, 401(k), 403(b), KEOGH
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Qualified Retirement Plans

- Trillions of dollars are in retirement accounts
- IRA's, 401(k), 403(b), Keogh Account
- The beneficiary designation controls the distribution
- Tax consequences:
 - Federal estate tax deduction \$ for \$
 - Income in respect of a decedent (IRD)
 - Charity does not owe income taxes when funds are received




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Example of IRD Asset Gift - Example

If a donor wants to leave \$25,000 to a favorite charity and \$25,000 to an individual, it's generally preferable to leave \$25,000 of assets such as IRA funds to the charity, with other assets, such as cash or securities, left to the individual. The opposite approach would be fine for the charity but the individual would pay more tax.

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Types of Bequests

Pecuniary
"I give _____ dollars (\$ _____) to ABC Charity"

Specific
"I give 100 shares of XYZ Corporation stock/my coin collection/my real estate located at _____, to ABC Charity"

Residuary
"I give _____ % (or "all") of the residue of my estate to ABC Charity"

Contingent
"If my spouse does not survive me, I give _____ to ABC Charity"

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Unrestricted vs. Restricted Bequests

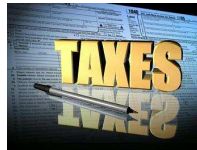
- If the document does not specify, it is unrestricted
- If restricted, the charity must follow the restriction
- Does the restriction meet the charity's priorities?
- Does the program still exist?
- Adding language anticipating a gift acceptance issue





Estate Tax Fundamentals

- Federal estate taxes – affects the largest estates
- \$5.45 million exemption per individual (2016)
- \$10.9 million combined exemption for spouses (2016)
- Portability
- Only an issue for the most wealthy of donors
- State estate and inheritance taxes





Talking Bequests with Donors

- "To ask" or "Not to ask," that is the question
- Assess the relationship with your donor
- Respectful ways to ask: "Do I have your permission to ask....."
- Explain your reason for asking
- Donors will often share information once asked





Problematic Bequests

- Reasons to inquire about bequests
- Is the bequest for an organizational priority?
- Does the bequest meet your gift acceptance policy (i.e. named endowed fund)?
- Does the bequest address increases in gift minimums?





More Problematic Bequests

- Confusion regarding identity of charity
- Assets are owned by another entity
- Does the donor have a will or trust?
- Payment of estate or inheritance taxes
- Will contests





Case Studies

Case Study #1:

Alumnus has a bequest intention to honor his deceased wife at their alma mater for a prize. The estate gift is for \$10,000.


Case Study #2:

Donor, age 60, has a bequest intention of \$50,000 for a named, endowed fund to honor donor's parents. What might be a problem here?

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Policies

- Develop an organization policy for realized bequests
- Endowment vs. Operating Funds
- If a bequest pipeline, division between endowment and operating
- Mega bequests




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Promoting Bequests

- **Donors make planned gifts on their clock, not yours**
- Estate plans are made all through the year
- Let donors know your charity welcomes bequests
- Inventory all communications for promotion opportunities
- Check-off boxes and taglines
- Insert "buck slips" and "lift notes"
- Brochures



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Promoting Bequests

- Website content
- eMarketing
- Testimonials
- Volunteers
- Advisors
- Seminars



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Stewardship and Recognition

- Have a legacy society
- Opt in rather than Opt out - confidentiality
- Make it visible
- Recognition and stewardship events
- Encourage other donors to make a bequest
- Legacy society pins can heighten interest




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Keeping Track

- Have a code in your donor database for planned giving inquiries and commitments
- Track the sources of estate commitments
- Keep accurate donor records for all realized bequests
- How many donors with realized bequests informed you in advance?
- Use this information for targeted marketing




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Estate Administration

- Be organized, keep good records
- Respond, monitor
- Nurture relationships with family members, attorneys
- Address any difficulties wisely




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Final Thoughts


- Bequests will be 80%+ of all planned gifts
- All organizations, large and small, can have a bequest program
- Keep it simple – stick to the basics
- Promote bequests in organization communications
- Use testimonials
- Recognize and steward legacy society members



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Questions and Answers



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