

Estate Gifts by Will - Bequests

Will Power is what donors create when they prepare a thoughtful will: The power to use the accumulated fruits of a lifetime to provide for loved ones as they see fit, rather than as the government determines. Power to ease the transition of their passing for those who survive them. When a donor includes the local community foundation in a will, they are using *Will Power* to help strengthen community programs and purposes they believe in for generations to come.

Acceptable Assets:

- Gifts funded with cash or cash equivalents
- Publicly Listed Securities (including segregated and mutual fund units)
- Proceeds from Retirement Plan Accumulations (RRSPs and/or RRIAs)
- Gifts of Real Estate
- Gifts of other tangible property

NOTE TO READER:

The purpose of this publication is to provide general information, not to render legal advice. In addition any changes in the tax structure may affect the examples listed in this information. Your client should consult their own lawyer or other professional advisor about the applicability of this information to their situation.

Benefits to the Community Foundation:

- Generally, easy to administer
- The *expectancy* of future gift is known, provided that bequest wording is not changed

Benefits to the Donor:

- Revocable during the donor's lifetime
- Donation receipt for use in final income tax return against 100% of taxable income
- Satisfaction of providing for a future gift while retaining full control of property

Most Appropriate For:

- All individuals (any age), but especially older persons with few or no heirs



Common Questions & Answers:

Q: Is making a will difficult?

A: Ordinarily it's quite simple. The process begins by listing assets and most important personal possessions (nothing should be overlooked!), and the persons, institutions and causes for which an individual would like to provide. Then a lawyer should be consulted to review intentions and draft the final document in proper language.

Q: What if a client changes their mind later on?

A: A Will is fully revocable by your client while they live – they retain control and can easily make revisions should their wishes or circumstances change, either by having a new Will drafted or adding a codicil to an existing one.

Q: Does a charitable bequest provide a tax benefit?

A: For most people, yes. At the death of your client, their estate is entitled to a donation receipt for the full value of a bequest, providing a significant tax credit on their final tax return. Here's an example:

(Margaret J), a widow, leaves \$10,000 to the local community foundation and the remainder of her estate to her two children. Her bequest results in a tax saving of \$4,500 (assuming a combined tax credit of 45 percent). If she had left the \$10,000 to her children instead of giving it to the Foundation, taxes would have consumed \$4,500 and only \$5,500 would have passed to the children.

Q: Does a charitable bequest have to be in cash?

A: No, your client may also give publicly listed securities, real estate or artworks. Because a charitable bequest is creditable up to 100 percent of income in the year of death, the tax credit will almost always exceed tax on the gain, resulting in some tax savings. Whether the bequest consists of cash or other property, any portion not usable because of the 100-percent-of-income limit can be carried back to the prior year, again subject to the 100-percent limit.

Q: What is the best way to make a bequest to the local community foundation?

A: A bequest may take any of several forms. Consider these possibilities:

A **general bequest** is for a certain dollar amount of property, usually cash:
"I give to the (Name of Community) Foundation the sum of \$100,000 to be used for its general purposes."

A **specific bequest** directs that the Foundation is to receive a specific piece of property: *"I give. . . 500 shares of XYZ stock. . ."*

A **residual bequest** designates all or a portion of whatever remains after all debts, taxes, expenses and other bequests have been paid:
"I give. . . fifty percent (50%) of the rest, residue and remainder of my estate. . ."

A **contingent bequest** takes effect only under certain conditions:
"In the event that my wife does not survive me, I give to the (Name of Community) Foundation the sum of . . ."

Q: How will a bequest be used?

A: Most bequests will be contributed for **general purposes**, but a donor may also make a **restricted bequest** to be used for a particular purpose or program. Subject to the Foundation's policies, a donor may specify that the principal of a bequest is to be held as **endowment**, and perhaps as a **named endowment** in their name or as a memorial to another. Your client will want to confer in advance with a representative of the local community foundation to ensure that their wishes can be met and that the bequest provision is properly worded.

Q: A client wishes to name the local community foundation in their will. How can you assist them in doing this correctly?

A: Let the local community foundation assist you! They can provide you with helpful information on how to make a will and sample bequest language appropriate to the forms and purposes described above. At the request of your client, a Foundation representative would be happy to meet with you and your client to discuss their intentions for giving.

When they have completed their will and included or added a provision for the community foundation, it is customary for the organization to express its thanks. With the appropriate authorizations, the Foundation may list a donor's name among the growing number of those who have provided for future gifts to the organization, where it serves to encourage still others to take that important step.

