

Gifts by Will, Trust, or Beneficiary Designation

The Bedrock of a Planned Giving Program

May 2024

The Bedrock of a Gift Planning Program Agenda

What is a bequest

Differences between a Will and a Living Trust

Who makes bequests

Conversation starters

Sample language

Beneficiary designations

Retirement plans

Bank and brokerage accounts

Life insurance and commercial annuities

Donor advised funds

Takeaways

Role play



The Great Wealth Transfer

\$84 trillion in assets is set to change hands over the next 20 years, with approximately \$72.6 trillion going to heirs, and the remaining \$12 trillion being donated to charity.*

Giving USA* reports that Bequest giving continues to account for 9 percent of all charitable giving (\$45.6 Billion in 2022).*

*Cerulli Associates, "The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021

**PlannedGiving.com and SeniorLiving.com

What is a Bequest?

Bequests are gifts made as part of a will or trust to people, another trust, or to nonprofits to support the people and causes that are important to a person.

Bequests make up 90% of Planned Gifts*

**Per PlannedGiving.com*

Some Statistics about Wills

1. The average age for writing a first Will is age 44.*
2. Average age for making first charitable provision is age 53.*
3. 45% of people over the age of 55 have a will.**
4. 81% of people over the age of 72 have a will.**
5. 7-10 years from planned gift inception to maturity***
6. 49% of people change their will 5 times.*

*[Leaving A Legacy: A New Look at Today's Planned Giving Donors](#): Special Report from Giving USA

** Caring.com and AARP

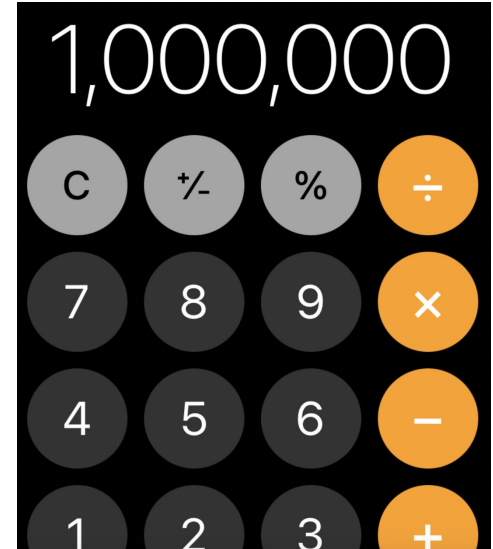
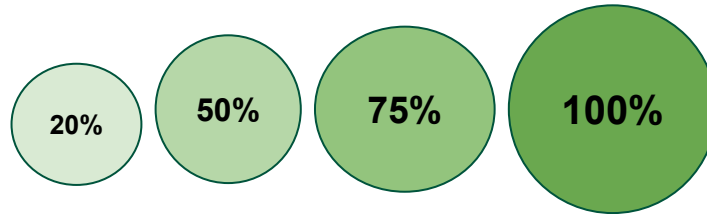
*** PlannedGiving.com

Similarities & Differences between a Will and a Living Trust

Will	Revocable Living Trust (RLT)
Set of instructions for the time of death	Funded during the trustor's lifetime with designated beneficiaries after trustor's death
Public record	Private
Executor	Trustee (This can be the Trustor until death)
Revocable and amendable	Revocable and amendable
Probate costs	No probate costs
Assets available 12-18 mos. after death	Assets available immediately after death

Types of Bequests

- Specific amount or specific asset
- Percentage
- Remainder
- Contingent Remainder



Who Makes a Bequest to Charity?

Long time annual giving donor

Engaged volunteers

Single - never married, widowed

No heirs

Older donors

Asset rich

Alumni celebrating reunions; grateful patients

Retired staff



When Does Someone Make (or change) a Bequest?

Life Events:

death, divorce, marriage, retirement,
milestone birthday, birth of grandchild

Lifestyle Changes:

downsizing, upcoming sale of business,
recent inheritance, increase in assets, moves out
of state, no longer uses summer home



Conversation Starters*

**Many of our alumni have made a gift through their estate plan.
Would you like to learn more?**

Let me share the types of gifts some of your classmates are making. Do you know Betty Rubble? Well, she lives in Bedrock City now. She loves USF. She and her husband Barney have made USF beneficiaries of their trust.

She is supporting Hospitality Management at USF.

Is including USF in your estate plan something you have considered?

Would you like me to introduce you to someone in our Office of Gift Planning? They have lots of experience with gifts like these.



**Modeled after Dr. Russell James examples*

Conversation Starters*, cont.

**Fred, I see that you have been giving for x years,
many of our alumni who give as loyally as you do
and care about our students,
make a future gift to USF in their Will.
Have you considered including USF in your estate
to continue to enable students to earn their degrees?**

(Pause and listen)

You have already. That is wonderful. What made you decide to do this?

Have you considered a designation?

I would love to discuss this to make sure we have your intentions documented correctly to ensure your wishes are met.



**Modeled after Dr. Russell James examples*

Conversation Starters*, cont.

I notice that you give every year to USF scholarships.

Have you considered putting USF in your Will

to create a permanent endowed scholarship in your name

to help students to have a Jesuit education at USF?

(Pause and listen)

You can create a scholarship in the future with a gift in your will.

This would create a permanent award in your name that will be awarded each year to a student. Would you like to talk about what sort of students you would like to help?

**Modeled after Dr. Russell James examples*

Sample Language

“I give the residue (or a specific dollar amount or percent of the residue of my estate) to the University of San Francisco, a California nonprofit corporation, 2130 Fulton Street, San Francisco, California 94117, to further the objectives and purposes of the university (or specify the school, program, or scholarship at USF).”

Tax ID #XX-XXXXXXX

Date of Incorporation: October 15, 1855

Create a Designated Purpose

- Empowers your donor
- Makes gift more meaningful to your donor
- Gives the donor confidence that their gift will be used for their intended purpose
- Ensures that the gift is something the nonprofit can use

Beneficiary Designations

1. Retirement Plan Assets
2. Financial Accounts
3. Commercial Annuities
4. Life Insurance
5. Donor Advised Funds



Retirement Plan Assets

Retirement plan assets totaled \$38.4 Trillion at end of the 4th Quarter 2023*

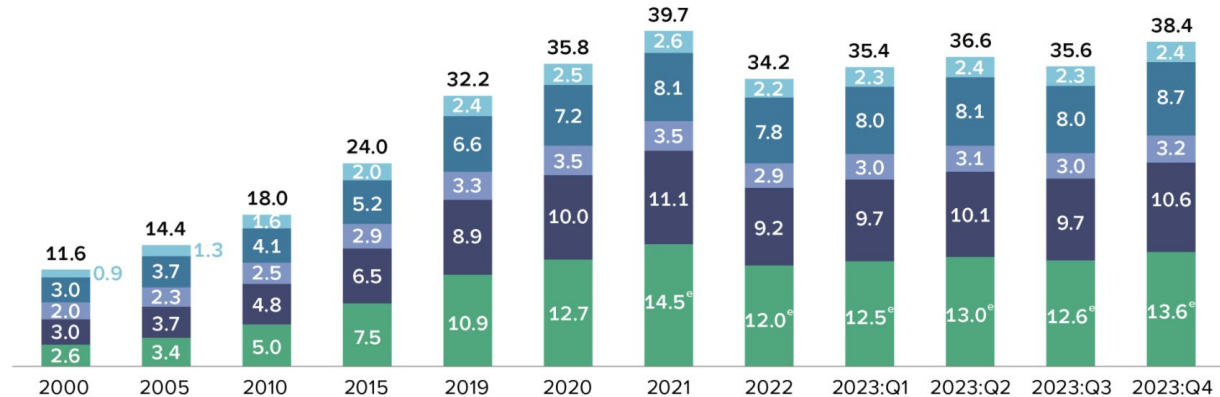
Accounted for 32% of all household financial assets in the US at the end of December 2023.*

**Data are estimated.*

US Total Retirement Market Assets

Trillions of dollars, end-of-period, selected periods

- Annuity reserves
- Government DB plans
- Private-sector DB plans
- DC plans
- IRAs



Sources: Investment Company Institute, Federal Reserve Board, Department of Labor, National Association of Government Defined Contribution Administrators, American Council of Life Insurers, and Internal Revenue Service Statistics of Income Division

Traditional Retirement Plans are Tax-Heavy to Heirs

Retirement Plan Assets
(IRA, 401k, 403b)
Does not include Roth IRAs

Income Tax

No Income Tax



People/Heirs



Charity

Ways to Give Retirement Plans as Part of an Estate Plan

1. **Outright beneficiary designation**
2. **Beneficiary designation to a charitable gift annuity or charitable remainder trust**

Importance of Choosing Which Assets Go to Charity

Assumptions:

Donor has an IRA valued at \$1 million and holds securities valued at \$1 million.

Donor wishes to leave half of her estate to her son and half to charity

	Designates Stock to Charity and IRA to Son		Designates Stock to Son and IRA to Charity	
	<u>Charity</u>	<u>Son</u>	<u>Charity</u>	<u>Son</u>
Stock	\$1,000,000			\$1,000,000
IRA		\$1,000,000	\$1,000,000	
Income Tax		(\$320,000)		
Net Bequest	<u>\$1,000,000</u>	<u>\$680,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>

*Assumes son's ordinary income tax rate of 32% (federal and state) upon receipt of distribution from the IRA

Slide credit to Gift Planning at the Lucile Packard Foundation.

It's Easy to Make a Beneficiary Designation

- **Make designation thru their plan administrator - online or by filling out a form**

Note - If the donor changes their IRA administrator, they need to re-enter their beneficiary designation information.

- **No need to amend a will or trust document**
- **Revocable**
- **Donor can use the assets during their lifetime if and as they need the funds**
- **Changeable**

Provide the Information that Your Donor Needs

Name of the Beneficiary: University of San Francisco

Address: 2130 Fulton Street, San Francisco, CA 94117

USF Tax Identification #: XX-XXXXXXX

Conversation Starters

Donor: I plan to leave everything to my kids. I might consider leaving something small to USF.

Gift Officer:

We always say that family comes first, but if you would consider leaving something to USF, you might want to think about leaving the tax heavy assets to charity because we do not pay taxes. This could help your children to avoid taxes. *(pause)*

A donor from your class recently made a gift this way...

The tax savings could educate more good nurses.

Would you like me to tell you more or send information?

Would you like me to introduce you to someone in our Office of Gift Planning who can explain the tax savings to you?

Create a Use for the Designated Funds

Gift Officer:

Wonderful that you have designated USF to receive 50% of your IRA. Thank you! Now, would you like to specify how we will use those funds once they come to USF? We hope that is many years from now.

Well, depending on the amount, you could use your retirement plan gift to create an endowed scholarship in your name or to honor your favorite faculty member (or doctor, late sister, parents, etc.). Is that something you might be interested in?

Beneficiary Designations



Financial Accounts

- Bank accounts
- Brokerage Accounts
- Commercial Annuities



Bank and Brokerage Accounts

Transfer on Death (TOD, POD)

If the donor does not have an estate plan in place and/or has not designated their financial accounts in their will, they can name a beneficiary or have Transfer on Death (TOD/POD) instructions listed on their accounts if they wish.

The donor would fill out a form with their financial advisor or bank and would not need an attorney.

Commercial Annuities

Assets in commercial annuities grow tax-free so are considered tax-heavy.

Distributions to heirs are taxed.

Commercial annuities pass tax-free to charity.

Donor names the charity for all, a percent, or specific amount.

Donor makes the designation by updating their beneficiary form with their bank or insurance company.

Life Insurance

Donor makes charity the Owner and Beneficiary of the policy.

Donor gets a tax deduction for the cash surrender value.

If payments are still due, the donor can make an annual gift to the charity for the amount of the premiums, and then the charity pays the premiums.

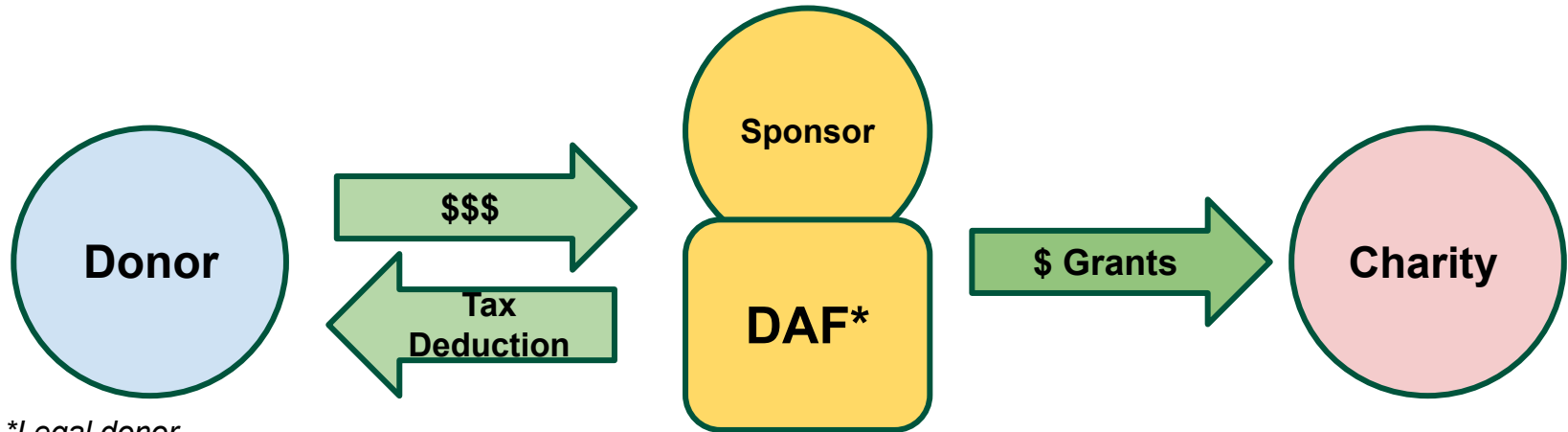
WARNING: As the donor ages, will they still be able or want to continue making the premium payments? What will your charity's plan be for that situation?

Question: Do you include designations from employer sponsored life insurance policies in Legacy Society? Do you still steward them?

Life insurance policies can be significant and also part of a blended gift.

Beneficiary Designation Donor Advised Fund (DAF)

A donor advised fund (DAF) is a charitable giving vehicle sponsored by a “public charity” that allows a donor to make a contribution to their DAF and be eligible for an immediate tax deduction and then recommend grants over time to any IRS-qualified public charity.



**Legal donor*

What happens to the balance in the DAF after the donor(s) dies?

The average sized DAF account in 2022: \$117,466*



*Per the National Philanthropic Trust

Conversation Starters

- **I notice that you make your gifts each year through your donor advised fund (DAF). Why did you establish your donor advised fund? (Pause)**
- **I notice that you give through a donor advised fund. What sort of impact are you hoping to make with it? Would you be interested in setting up a multi year gift for our nursing program to be funded by your DAF? (Pause)**
- **Would you like to use your donor advised fund remainder to add to your scholarship (or establish a permanent named scholarship)? (Pause)**
- **Have you thought about where the remainder in your DAF Fund will go after your lifetime? (Pause)**

Beneficiary Designations Recap

- 1. Simple and does not cost anything.**
- 2. Funds are still there for Donor to use during their lifetime.**
- 3. Many people do not realize they can designate remainder of their retirement plan, bank and brokerage accounts, and DAF to charity.**
- 4. Donor can designate non-profit organizations to receive all or a %.**
- 5. There are extra tax savings to leaving Retirement Plan Assets and Commercial Annuities to charity after the Donor's lifetime.**
- 6. Asset(s) can get to charity and loved ones faster since the asset does not go through probate.**

Blended Gifts

Combination Current Gift and Bequest/Beneficiary Designation

Lesson - Listen to the Donor

- **What are the donors' philanthropic goals**
- **What assets does the donor have?**
- **What are the donor's planning goals**
- **What is the donor's timing?**

Motivations for a Planned Gift*

- **Belief in the nonprofit's mission**
- **Good track record of nonprofit**
- **Opportunity for the Donor to create their legacy - be remembered**
- **Direct contact - personal relationship with an employee**
- **Donor or their family benefited from the organization**



*Joe Bull: Data Informed Gift Planning

Stewardship*

- **Recognition Society**
- **Personalized stewardship**
- **Professionalism**
- **Good customer service**
- **Designated contact person**

*Joe Bull/ACGA's Survey of Charitable Gift Annuities

Importance of Confidentiality

- **Personal information (*social security #, bank account, health, etc.*)**
- **Asset holdings**
- **Private family information**
- **Transfer of property - family**
- **Sale of a business or privately held stock**
- **Past inquiries**

Role Play

Scenario:

You are visiting a long time annual giving donor who is age 71. This year she changed how she makes her gifts and began using a qualified charitable distribution from her IRA. You would like to ask her for a planned gift during this meeting.



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