

## A Deferred Charitable Bequest

A deferred charitable bequest can add a great deal of flexibility to your estate planning. With this special form of bequest you can benefit one or more family members or other individual beneficiaries...and provide "deferred" benefits for our institution.

Your deferred charitable bequest can take several different forms, but you can design it to provide an annual income to one or more individual beneficiaries for life (or for a period of years), with the property passing to us or other designated charitable beneficiaries upon the termination of the income benefits. The deferred bequest is an excellent tool to provide for dependent relatives and still fulfill your philanthropic desires.

**Example:** Mrs. Avery, a 70-year-old widow, wants to make a charitable bequest to memorialize her late husband's interest in our organization. She has an older sister, however, who needs financial help. By setting up a special trust in her will, she can direct that at her death a certain income will go to the sister for her life, with the remainder interest to come to us as "a deferred bequest" after her sister's death. Mrs. Avery is able to ensure support of her sister and to memorialize her husband's charitable interest. What's more, Mrs. Avery's estate will receive an estate tax charitable deduction for the present value of our remainder interest. This is a good example of what you can accomplish with a deferred bequest.

### A BEQUEST CAN PERPETUATE YOUR ANNUAL GIFT

Let's say your annual gift is \$250. A bequest in your will for just \$5,000 can be endowed so that it distributes \$250 each year (5% of the principal), and the income stream continues year after year...virtually forever.

Even a small bequest, when endowed, can have a significant impact on our programs. Ask us how you can help shape our future with a well-planned bequest.

### Planning Your Personally Satisfying Bequest

There are, indeed, many exciting and practical techniques for making a generous gift or bequest to a charitable institution or organization that you want to support.

We sincerely hope that you will want to include us in your estate plan. Please let us know if you plan to make a testamentary bequest to support our work and activities. We can help you plan your bequest to achieve maximum tax benefits and personal satisfaction. And, equally important, it will help us plan for the future if we know we can depend on your generous support.

If you would like to discuss any of the gift techniques mentioned in this booklet, please call us. We will welcome the opportunity to discuss with you how your bequest can play a meaningful role in our future and perpetuate your life values. We also will be happy to discuss all of the memorial bequest opportunities available to you.



# Charitable Bequests

*How to Get the Most Out of Yours*



## Why Charitable Bequests Are Popular

Bequests, which are simply gifts made through a will, have become an extremely popular method of providing long-term support for the charitable organizations that are so important in our lives.

There are many reasons for the popularity of charitable bequests. The opportunity to make a statement about one's personal values...the satisfaction of perpetuating an important cause for future generations...the increased financial ability we now have to make generous bequests — these are just some of the major reasons so many Americans include important charitable causes in their wills.

Tax planning is also an important factor, as is the ability to plan a charitable bequest in a manner that will permit you to accomplish other estate objectives.

*Please note that any figures used in our examples are based on average interest rates. Figures may be slightly different at the time of a gift in view of rate volatility. Figures also need to be monitored frequently because of the many phase-ins and phase-outs of recent tax legislation. In particular, the federal estate tax is scheduled to be repealed for one year in 2010. Always check with your tax and financial advisors before implementing any gift plan.*

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## Planning a Charitable Bequest

This booklet was prepared in the belief that every charitable bequest should accomplish several important objectives:

**First:** Every charitable bequest should be a source of great personal satisfaction to the donor.

**Second:** Every charitable bequest should be an integral part of the donor's basic estate plan and should complement all the other objectives of the donor.

**Third:** Every charitable bequest should provide optimal tax and financial rewards for the donor and for the donor's family and other beneficiaries.



## Flexibility of Planning

Charitable bequests can take many different forms; so it is important to plan your bequest in a way that will best accomplish all of your estate objectives.

Your charitable bequest can be outright or deferred. It can be absolute or contingent upon certain events. It can be for the general support of the charitable beneficiary or restricted to a purpose you feel is especially important.

And because a charitable bequest can be made through your will, or through a codicil to your will, it generally is easy and inexpensive to include one or more charitable organizations in your estate plan. When you make a charitable bequest, you can retain full use of your property during life, so there is no immediate out-of-pocket cost, reduction in net worth, or disruption of cash flow. What's more, you can change any bequest provision, which means you remain in control of the process.

## Your Bequest: Outright or Deferred

Typically, when we think of a charitable bequest, we see it as a direction to distribute a specific asset, or to pay a certain sum of money, to the designated charitable beneficiary. This is an "outright" bequest and is clearly the most popular method of benefiting your charitable beneficiary. But a charitable bequest also can be "deferred," with individual beneficiaries receiving immediate benefits and our institution receiving benefits at some later time.

For example, in your will you can direct that a sum of money or a particular property be held in a "charitable remainder trust." The trustee can be directed to pay an annual income to family members or other beneficiaries for their lives and to distribute the property to us after the death of the income beneficiaries.

In short, through a charitable remainder trust, you can provide immediate benefits for family members, gain significant tax benefits, and also provide a generous deferred bequest to charity. The deferred bequest is explained in greater detail later.

## Planning an Outright Charitable Bequest

Many bequests to charitable institutions or organizations are for a specific sum of money. The donor's will simply indicates the monetary amount of the bequest.

Alternatively, your charitable bequest can be a specified percentage of the net value of your estate. Under this form of bequest, the charity will share in the increases or decreases in the value of your estate. And because the value of an estate can change quickly and dramatically, this form of bequest is often the best way to accomplish the specific objectives of the individual.

It may be that a "residual bequest" to a charitable beneficiary will best accomplish your objectives. The "residue" of an estate is the amount remaining after all costs, debts and taxes have been paid and all monetary and specific bequests have been satisfied. This form of charitable bequest can be especially appropriate if you want other bequests to have priority.

For example, if you definitely want specific properties or dollar amounts to go to individual beneficiaries and you want to provide a benefit for us only after these priority bequests are paid, a residual charitable bequest may very well be your best option. Of course,

you can name several residual beneficiaries and direct exactly how your residual estate is to be divided among these beneficiaries.



## Different Ways to Make a Bequest

The point we want to emphasize in this booklet is that, in planning your outright charitable bequest, you really have several basic options. Your personal objectives should determine the exact form of your charitable bequest. **Consult your attorney for advice in your situation. And, of course, we will be pleased to provide whatever assistance you and/or your attorney may request in planning your charitable bequest.**

## Financial and Tax Benefits of Bequests

Charitable gifts and bequests are motivated primarily by the donor's desire to provide financial support for the charity. However, tax rewards can also be important. In certain cases, tax benefits can permit donors to give more to their charitable beneficiaries than they may have thought possible.

Every dollar that is given to a qualified charitable organization through a bequest or other testamentary gift is fully deductible for federal estate tax purposes when certain legal requirements are met. Indeed, an estate tax deduction is allowed for a deferred bequest to our institution even though the bequest provides income benefits to individual beneficiaries.

Of course, not every estate is subject to the federal estate tax. The exemption amount available to every estate is \$1.5 million in 2005, and is scheduled to rise to \$2 million in 2006-2008.

If your estate is potentially subject to the federal estate tax, you will want to take steps to minimize the impact this tax can have on your beneficiaries. Happily, there are many time proven methods of minimizing estate taxes...including both outright and deferred charitable bequests.

**Note:** Estate tax rates and exemptions are scheduled to change frequently between now and 2011. Be sure to review your plans periodically with your advisors.

Let's see how a deferred bequest to our institution can minimize estate taxes and add to the financial security of your family and other individual beneficiaries.

### IT'S EASY TO MAKE A BEQUEST THROUGH A CODICIL

If you now have a will, you can include a bequest to our institution through a simple codicil, without the need for executing a new will.

A codicil is simply an amendment or addition to your will and is commonly used to add bequests to those already included in your will.

Keep in mind, however, that a codicil must meet all the requirements of the laws of your state for the execution of a valid will. Generally, it must be signed by you in the presence of witnesses who must attest to the execution of the document.

Certainly, you should rely on your attorney to draft your will and any desired codicils. Make certain you identify our institution by its formal legal name.