

Charitable Bequests - A charitable bequest is simply a distribution from your estate to a charitable organization through your last will and testament. There are different kinds of bequests. For each, you must use very specific language to indicate the precise direction of your assets, and to successfully carry out your final wishes. In any charitable bequest, be sure to name the recipient accurately and include the organization's Federal Tax ID Number.

Do you have an estate?

Your estate is the sum of your assets, including property you own, insurance policies, retirement accounts, cash on hand, etc. Wealthy people may have very large estates, but even people who aren't wealthy often have the resources to make a charitable bequest. If every adult in America made a will and included a bequest of just \$100, billions of dollars would flow to charitable causes every year.

Here are some more common kinds of bequests, and some bequest language. We always recommend that you carefully review the terms of your will with a professional trained in handling trusts and estates.

General Bequests are legacies left to certain people or causes that come from the general value of the estate, and are made by designating a specific dollar amount, a particular asset or a fixed percentage of your estate to the cause of your choice.

General bequest language:

"I give, devise, and bequeath to NAME OF CHARITY/LOCATION, the sum of \$_____ (or a description of the specific asset), for the benefit of NAME OF CHARITY and its general purposes."

Specific Bequests are made when a particular item or property is bequeathed for a designated purpose. (i.e., instruments bequeathed to the local school district for use in music education; dollar funds to be used in the operation of a school or church.)

Specific bequest language:

"I give, devise, and bequeath to NAME OF CHARITY/LOCATION, the sum of \$_____ (or a description of a specific asset), for the benefit of NAME OF CHARITY to be used for the following purpose: (state the purpose). If at any time in the judgment of the trustees of NAME OF CHARITY it is impossible or impracticable to carry out exactly the designated purpose, they shall determine an alternative purpose closest to the designated purpose."

Residuary Bequests are made when you intend to leave the residue portion of your assets after other terms of the will have been satisfied.

Residuary bequest language:

"All the rest, residue, and remainder of my estate, both real and personal, I give to NAME OF CHARITY/LOCATION, for its general purposes."

Contingency Bequests allow you to leave a portion of your estate to a particular charity if your named beneficiary does not survive you.

Contingency bequest language:

"I devise and bequeath the residue of the property, real and personal and wherever situated, owned by me at my death, to (name of beneficiary), if (she/he) survives me. If (name of beneficiary) does not survive me, I devise and bequeath my residuary estate to NAME OF CHARITY/LOCATION, for its general purposes."

Without a will, there is no mechanism in place to make a bequest, so here are the steps you should take to make sure your wishes are granted.

Make a list of organizations or causes that you would like to support.

- Make a detailed list of your assets (financial, real estate, vehicles, jewelry, collectibles, musical instruments, etc.)

Set up an appointment with your financial analyst or attorney, or planned giving officer at the organization you intend to support. These professionals will help sensitively guide you through the process.

- **Charitable Gift Annuities**

Donors seeking to make a gift, but still wanting to keep their money working for them can select the Charitable Gift Annuity (CGA). The CGA is a contract between Saint Elizabeth and the donor, which will provide the donor with: a charitable deduction for a portion of the gift made; partially tax-free income for the life expectancy of the donor and the second beneficiary, if designated; and partial avoidance from capital gains, if appreciated securities or property are used to establish the annuity.

Gift Amounts and Limitations

Saint Elizabeth Community's Board of Directors has established the following minimum amounts for charitable gifts and annuities. Annuity trusts, unitrusts, and gift annuities are not allowable below specific sizes.

Charitable Gift Annuity	\$5,000
Deferred Gift Annuity	\$10,000
Charitable Remainder Annuity Trust	\$100,000
Charitable Remainder Unitrust	\$100,000
Charitable Lead Trust	\$50,000

As required by law, Saint Elizabeth Community may only accept life income gifts for one or two lives and also over a set term of years. The usual minimum age for acceptance of the donor/first life income beneficiary is sixty-five (65). The minimum age for a second annuitant is fifty-five (55). The exception to the above would be the deferred gift annuity.

The Charitable Gift Annuity (CGA) generates cash payments to a donor for life in exchange for a transfer of cash, marketable securities, or property. CGAs may be immediate or deferred. The difference between an immediate and a deferred gift annuity is a deferred annuity pay-out starts at a date in the future. The Saint Elizabeth Community's policies specify that all CGA's:

- will offer rates that conform to the gift annuity rates set by the American Council on Gift Annuities;
- will not be promoted as investment vehicles or compared to any investment alternatives;
- may not be written for less than \$5,000; and
- must have the minimum age of 65 years for the donor and 55 years for a second annuitant, if any is designated.

New Life for Old Insurance Policies

Life insurance policies are contracts issued by a life insurance company to an individual. A donor can name Saint Elizabeth Community as the primary or contingent beneficiary, or the donor can transfer ownership of an existing policy. If Saint Elizabeth Community is named the beneficiary of the policy, the funds will not be included as a contribution until they are received. However, if Saint Elizabeth Community is both the owner and the beneficiary of the policy, the cash surrender value will be the declared contribution at the time the policy is transferred.

Donors can use paid-up life insurance policies to make gifts. At an earlier time in life, life insurance was a priority to protect family members, which may have outlasted its need. When a policy is donated, Saint Elizabeth Community becomes the owner and beneficiary, the donors take an income tax charitable deduction for the cash value of the policy at the time of the gift, and they can designate how the gift is to be used. If the policy still requires annual premiums, the donor makes tax-deductible contributions in that amount to the Saint Elizabeth each year, keeping the policy active.

Charitable Trusts

Charitable Trusts allow you to receive an income for yourself or another beneficiary throughout your lifetime. By placing highly appreciated assets into a charitable trust, those assets can be sold free of capital gains taxes. You receive a percentage income based upon the value of the appreciated asset.

Advantages of Charitable Trusts

Income for life – Donors can reserve income for themselves or themselves plus one or more beneficiaries. The income can last for a lifetime or a specific number of years (up to 20). The donor selects the frequency of payments (quarterly, semi-annually, yearly) and the type of payments (annuity-like benefits that are fixed or benefits that fluctuate from year to year).

Charitable deductions – Donors receive an immediate income tax deduction for the value of the Saint Elizabeth's right to receive the gift principal in the future. Deductions frequently allow the donor to make a much larger gift than would otherwise be possible.

Capital gains tax avoidance – Donors who fund their gifts with appreciated property receive a deduction based on the full fair market value of the property. They avoid any capital gain taxes on their appreciated assets.

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Charitable Remainder Trusts - Charitable Remainder Trusts (CRTs) are income trusts created by transferring property irrevocably to a trustee under a trust agreement that provides the donor and/or designated beneficiary income for life. The minimum payout rate is fixed by law. After the deaths of the income beneficiaries, the remainder is paid to the charity. CRTs were created under the Tax Reform Act of 1969.

There are two primary types of charitable remainder trusts: Annuity Trusts and Unitrusts.

Charitable Remainder Annuity Trust: A CRAT provides a fixed payout that must equal a sum certain of not less than 5% of the initial fair market value of the gift in trust. Whatever remains in the trust becomes the property of the beneficiary (GHF) at the time of his or her death. Annuity trusts do not permit additional contributions.

Charitable Remainder Unitrust: A CRUT provides an income that is a fixed percentage of the net fair market value of the trust assets. The trust assets are re-valued annually. This percentage must be at least 5%. The income payments of a unitrust will vary from year to year as the trust's value changes. The unitrust may be set up for the lives of the beneficiaries or for a term not to exceed 20 years. The governing instrument may include a provision to permit additional contributions.

The trust agreement shall provide that an appropriate independent fiscal agent, including a bank or financial institution, serve as trustee. Saint Elizabeth retains the right to change the trustee. Other provisions include:

- no trust shall be established for less than 5% payout or more than 10% payout;
- the recommended minimum funding for a Charitable Remainder Trust is \$100,000;
- agreements are limited to two beneficiaries;
- cash, publicly traded stock, bonds, and appreciated properties may be used to establish charitable trusts.

Charitable Lead Trusts -The Charitable Lead Trust allows a donor to put funds into a trust that pays the charity the income for a specified period of time and then returns the principal of the trust to the donor or the donor's estate. The donor receives an immediate charitable tax deduction for the value of the income that will be given to the charity.

A Charitable Lead Trust (annuity or unit) provides payments to a designated charity for a term of years of any duration, after which the assets in the trust either revert to the donor or pass to a non-charitable beneficiary designated by the donor. Charitable lead trusts enable an individual to benefit a charity and pass principal to family members with little or no tax penalty. The recommended minimum funding for a Charitable Lead Trust is \$50,000.