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WACOSA Planned Giving Options
Board Educational Training Session
February 27, 2023

Primary objective is to educate board members about the following:

1. Common ways to provide charitable bequests in a Will or Trust.
2. Ways to use Deferred Retirement Funds (Traditional IRA, 401(k) 403(b) or SEP) for charitable giving.

Objective #1: Ways to Provide Charitable Bequests in a Will or Trust

Will and trust planning is the highly personal process of deciding how your assets will be distributed after your lifetime. But your will is not just a legal document to transfer your assets…it's an opportunity to express your values and share your generosity and love to family and favorite charitable causes.

Bequests are gifts made as part of a will or trust or with a codicil*. Anyone can make a bequest—in any amount—to an individual, charity, trust or foundation. One significant benefit of making a gift by bequest is that it allows a person to continue using the assets/property during their life.

A bequest is generally a revocable gift, which means it can be changed or modified at any time. Bequests can be simple or complex, with conditions about how the gifts can be used. Charitable bequests are exempt from federal estate taxes and can be used as a tax planning strategy. The process of setting up a charitable bequest begins with you and an attorney drawing up or modifying a will or trust.

Types of Bequests
There are a number of ways you can designate a gift in your will, but the following are four basic types of bequests:

1. **General Bequest** (most common type of estate gift) refers to gifts of cash or property from an estate's general assets, not pegged to a specific source. The bequest can be a set amount or a percentage of the overall estate.
2. **Specific Bequest** refers to assets that are easily identifiable and distinguishable from the other assets such as real estate, home, car, jewelry or other property.
3. **Residual Bequest** refers to remaining amounts to be distributed after the estate has settled all its debts and distributed all general and specific bequests**.**
4. **Contingent Bequest** refers to conditions where the purpose of the primary bequest cannot be met and/or other heirs are deceased.

A **codicil is a written amendment to a person's will that can add to, subtract from or modify the terms of the original will; a codicil to a trust is called a **trust amendment**.
A **codicil** or **trust amendment** is a simple and less expensive way to amend a will or trust without having to rewrite the entire document.*

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Objective #2: Use of Deferred Retirement Funds for Charitable Giving

A direct contribution of retirement assets such as a traditional IRA, 401(k), 403(b) or SEP (Simplified Employee Pension) to a charity, can be a smart estate planning strategy with significant tax advantages.

Tax Implications of Retirement Assets
Unlike other assets that can be passed on to heirs free of income tax, distributions from inherited retirement plans are taxable as ordinary income to the person who receives them. With the passage of the "Setting Every Community Up for Retirement Enhancement" (known as the SECURE Act) in 2019, there were substantial changes to the laws governing the administration of inherited retirement assets and non-spousal beneficiaries. Prior to the change, beneficiaries of inherited retirement assets could take distributions over their lifetime (spreading out the tax liability); now there's a 10-year maximum withdrawal period.

If the goal is to support a charity as part of your legacy, it may be more tax-efficient to leave cash, life insurance and appreciated assets to heirs, while making charities the beneficiary of retirement assets upon your death. When done properly, charitable donations of retirement assets can minimize the amount of income taxes imposed on both your individual heirs and your estate.

Benefits of Donating Retirement Assets to Charity
Designating retirement plan assets to charity is an easy way to fund your legacy. When you name a charity as a full or partial beneficiary to receive retirement assets upon your death, the top benefits are:

- Neither you and your heirs, nor your estate, will pay income taxes on the distribution of donated assets. Because charities do not pay income tax, the full amount of your retirement account will directly benefit the charity or charities of your choice.
- This simple action typically does not require an attorney or changes to a will or trust.

How to Designate a Charity as the Beneficiary of Retirement Assets
Making a charity the beneficiary of your retirement assets is typically a straightforward process. Simply fill out a designated beneficiary form through your employer or your plan administrator. Most banks and financial services firms also have beneficiary forms. Once the designated beneficiary forms are in place, the retirement assets will generally pass directly to your beneficiaries (including charities) without going through probate.

Use of a Qualified Charitable Distribution (QCD) to Fund a Legacy Gift
Use of a QCD is another strategy to fund a legacy gift (such as a Named Endowment Fund) while a person is still alive. Individuals who have deferred retirement assets can begin taking taxable distributions at age 59½ without penalties, however, individuals MUST take Required Minimum Distribution (RMD) each year beginning at age 73. This income increase could potentially push the taxpayer into a higher income tax bracket or reduce eligibility for other income-based benefits (like Medicare or Social Security income). If you're inclined to name a nonprofit as a charitable beneficiary, use of a QCD could help a person fulfill this goal while still alive.