



# ENDRESS

CAPITAL MANAGEMENT, LLC

## PLANNED GIVING AND BEQUESTS

### What is a Bequest?

The first time I received a call from the trust department of the local bank, I was totally unprepared. I had been the pastor of a small congregation for just three months when I was informed that the church would be receiving a bequest gift with a value of nearly \$250,000.

I immediately made an appointment to meet the trust officer in person to learn more about the expected gift.

The donor was a woman who had grown up in the small town more than eighty years earlier, had left during World War II to find work in a larger town nearly two hours away, and had never looked back.

She did, however, remember with fondness the Sunday School class that she had attended as a little girl.

She split her estate into three gifts – 50% to a beloved charity in her adult home town, 25% to another charity there, and the final quarter to the little church of her childhood, a church she had not visited or contacted since her teenage years.

This gift was a bequest – a planned gift given through a donor's will, trust or beneficiary designation in an IRA, life insurance policy, or other retirement account.

It is estimated that fully 85% of planned gifts are made through a simple bequest. For most middle-class people, this will be the largest gift they make, and it will be realized by the charitable organization after the donor's death.

The most effective way to encourage church members to leave a bequest is also the easiest – a wills emphasis program. Such a program becomes a ministry to constituents, as everyone with loved ones to care for and assets to protect should have a will. Encouraging constituents to craft a will gives a church a perfect opportunity to ask to be remembered in someone's estate plan.

### What is a Planned Gift?

A planned gift includes simple bequests but also includes more complicated financial arrangements that benefit the donor and the charitable organization.

Simply put, a planned gift is a gift of any amount, given for any purpose, given currently or deferred, that requires the assistance of a professional, e.g., a lawyer or accountant.

A planned gift can be given currently or deferred – that is, the gift may be immediately transferred from the donor to the charity; or, the gift may be transferred at a later date, usually the donor’s death.

A planned gift may be restricted or may be unrestricted. A restricted gift will be given for a specific purpose and must be used toward that end. An unrestricted gift may be used at the discretion of the charitable organization.

As mentioned above, a bequest is the simplest and easiest form of a planned gift. A will bequest may specify a dollar amount or a percentage of the value of the donor’s estate.

A donor may wish to designate their church as a beneficiary for an IRA, life insurance policy, or other retirement account. This is another form of a simple bequest.

Other more complicated examples include:

**Charitable Gift Annuities** – a donor transfers a large gift to the charity. The charity guarantees a fixed income payment to the donor for the rest of their life.

**Charitable Unitrust** – a donor transfers property to a charitable trust. The trust liquidates the property tax free and provides the donor income for life or for a term of years.

**Charitable Lead Trust** – a donor funds a lead trust that makes gifts to the charity for a number of years. The donor’s family then receives the remainder of the trust at substantial tax savings.

**IRA Rollover** – a donor who is 70½ years old may gift a portion of their IRA distribution to charity for tax savings.

Planned gifts require the expertise of a professional, such as a lawyer or accountant. Advise your constituents to consult their own advisers when establishing planned gifts. Be ready to suggest friendly advisers when asked.

## The Importance of Planning

As I mentioned when I began this article, many times a bequest will come in an unexpected way. If you church has not developed a formal planned giving policy or endowment policy, don’t wait until you’re forced to do so.

The receipt of a large, unexpected gift can cause problems when a church is unprepared. With gift policies in place, a church can determine in advance how an unexpected gift will be stewarded.

Directing gifts into an endowment – even if the endowment is started with just a \$1,000 gift – can help churches avoid conflict, permitting the church to be supported into the future. For more information on creating gift and endowment policies, please contact me.

Planned gifts can offer a huge blessing to churches, lasting across the generations, especially when they are well-managed with carefully considered policies and procedures.

Begin building your congregation’s future today by developing a planned giving ministry that helps your constituents and helps support your church.