Wayzata Community Church
Legacy Living and Legacy Giving
Estate Planning Resources

Legacy Giving – Common Terms

Planned Gift or Planned Giving: Planned giving or planned gift refers to any charitable gift that requires more thought and planning to execute than the average donation. Planned giving has traditionally been defined as the gift that an individual creates during his or her lifetime that will take affect at or after their passing. There are many kinds of planned gifts, including, but not limited to: simple bequests in a will or trust or within an estate plan, charitable gift annuities, charitable remainder trusts, charitable lead trusts, non-cash assets and assets transferred using pay-on-death or transfer-on-death documents.

Bequest Intention or Planned Gift Intention: This is a donor's indication of his or her intent to leave a future gift. An intention is neither a legal nor binding commitment upon the donor's estate. Rather, it is a courtesy notification of the donor's desire to make a future gift.

Bequest Notification or Planned Gift Notification: This is an estate representative's official notification that a bequest or other estate gift has come to realization. If the gift is a percentage of an estate, a remainder gift, or a gift of personal property, it may not be possible to determine the value of the gift immediately. In this case, a gift expectancy value may be used where appropriate until it can be substituted with a more accurate amount.

Charitable Bequest: This is a provision in a will, trust, or estate plan that allocates a gift to a designated charity. The most common gifts to nonprofit beneficiaries are cash, securities, and real property including homes and personal property (things). Many wills and trusts are still written with quite formal language and might be similar to this example:

> "I give, bequeath, and devise the sum of fifty-thousand dollars ($50,000) to Middletown Library, located at 123 Main Sreet, Middletown, Wyoming."

The most common gift amounts are usually stated in one of the following ways:

a) A specific amount, such as the example above.
b) A percentage amount, such as ". . . Ten percent (10%) of my estate to Middletown Library..."
c) A remainder amount also called "residue," such as "After all specific bequests have been paid, I give, bequeath, and devise the remainder of my estate, including real and personal property, to Middletown Library . . ."

Contingent Bequest: This is a provision in a will, trust, or estate plan that allocates a gift to a designated charity as an alternative to a higher priority bequest or condition to be met. Contingent bequests can also incorporate specific amounts, percentage amounts, or remainder amounts, such as the examples above, within them. For instance:

> "In the event that (named individual) predeceases me, I give Miller Healthcare Foundation, 2345 East Street, Centerville, Vermont, 25% of the residue of my estate to be used wherever the needs and opportunities are greatest."

Charitable Gift Annuity: This is an irrevocable transfer of property (e.g., cash, securities) in exchange for a contract to pay the donor or the donor's designee an annuity for life. Depending on state law, payments could begin immediately or may be allowed to be deferred until a future date. Because the value of the property exceeds the value of the annuity, it is partially a gift to the charitable institution. While most charitable gift annuity contracts are established between the donor and the organization to receive the remainder gift amount, community foundations have been given permission from the IRS to issue such gift annuity contracts on behalf of other qualifying charitable organizations. Additionally, there are different types of charitable gift annuities, and not all states permit the use of each type.

a) There are several types of charitable gift annuities, usually chosen according to the type of property used to fund the annuity, or chosen because of the donor's desire to control payment timing or payment amounts.

b) When all of the annuitants have passed away, the residuum, or remains of the initial gift plus any interest income, is distributed to the charity to be used according to the contract's directions. Usually, this is for general use by the charity but may be restricted by the donor for a particular use.

Charitable Remainder Trust: This is an irrevocable trust that pays a specified annual amount to one or more people for a fixed period of years (often the life of the individual). At the end of the term of the trust, the remaining trust assets are distributed to the charity.

a) A charitable remainder annuity trust provides a fixed payment as determined and stated in the trust document.

b) A charitable remainder unitrust pays out a fixed percentage of the trust value each year as determined and stated in the trust document. The value of the unitrust is recalculated annually to determine the current payout.

Charitable Lead Trust: This is similar to a charitable remainder trust, except that the annual payments are given to a charitable organization and the principal reverts to the donor or to his or her designated beneficiaries at the end of the trust term. If the principal reverts to the donor, he or she gets a charitable income tax deduction; if to another, that person gets a charitable gift tax deduction.

Income or Current Beneficiary: This is the person(s) or entity(ies) that receive(s) the current income or distributions from a trust according to its terms.

Remainder Beneficiary: This is the person(s) or entity(ies) that receive(s) the remaining assets from a trust when its controlling terms have been met or its term of years for existence has come to an end.

Life-Income Gifts: A generic term used to describe a variety of charitable gift vehicles that provide an income, usually for life, to a donor and/or his or her designated beneficiaries. Life income gifts include, among other things, charitable gift annuities, charitable remainder trusts, both unitrust and annuity trusts, and charitable lead trusts.

Split Interest Gifts: These gifts, usually involving property or business interests, start with the idea of making a partial gift of an asset to charity while still retaining a partial interest in it. Because the donor retains some portion of the assets or the income from the assets, the term "split interest gift" is derived. The "split" refers to the fact that ownership is now divided between the original owner and - in our case - a charity. Splitting the interest creates a problem in determining the value of the portion given to charity (gift portion) and the value of the portion which was kept (retained interest).

Non-probate Transfer Vehicles: Half of all states in the U.S. now allow the use of "Transfer on Death Deeds" that provide for the transfer of real estate directly to another person or charity, by-passing the probate process. Savings and checking accounts, money market and other investment funds including retirement funds and life insurance policies with also allow non-probate transfers. This large variety of transfer vehicles, also known of "beneficiary designation form gifts", are becoming a preferred way to leave charitable gifts, especially among Baby-Boomers and younger generations.

Securities: Used for planned gift purposes, "securities" is a general term that includes the following: shares of corporate stock or mutual funds, bonds issued by corporations or governmental agencies, stock options or other options, limited partnership units, and various other formal investment instruments that can be exchanged for money.

Non-Cash Asset: When related to an outright gift or a planned gift, this term usually refers to an asset such as securities, life insurance policies, CDs, retirement accounts, real property, and the like. Conversely, gifts of currency and checks, as well as gifts using credit cards, are considered cash or cash-equivalent assets.

Real Property: "Real property" is a general term that includes land, land improvements such as buildings and machinery sited on the land, as well as various property rights associated with owning the land, buildings, and machinery.

Personal Property or Tangible Personal Property: Assets that can be touched or things that are tangible. Examples of gifts of tangible personal property to charities include book collections, art, and jewelry. It does not include however, cash or cash equivalents such as checking accounts.

Online Resources for Legacy Giving Conversations

MN Attorney General's Office: https://www.ag.state.mn.us/brochures/pubProbateandPlanning.pdf

U of MN Extension Office:

https://extension.umn.edu/transferring-non-titled-property/who-gets-grandmas-yellow-pie-platetm-video

To learn a bit more about estate planning, the book Estate Planning Smarts by Deborah Jacobs is an easy-to-read introduction to estate planning. It identifies the key issues that people should consider, and it provides enough details to start making informed and thoughtful decisions.

http://estateplanningsmarts.com/

This document is for general information purposes only, and your individual circumstances are critical to determining the best approach. We suggest that you contact an attorney or financial advisor before making your estate plans.