

The Importance of Legacy Giving: A Comprehensive Guide to Bequests and Charitable Contributions

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Legacy giving, or leaving money in a bequest, is a profound act of generosity that allows individuals to extend their impact beyond their lifetime. It's a testament to the values and causes that matter most to them. In this comprehensive exploration, we delve into the importance of legacy planning, the various types of legacy giving, the significance of having a will, and how individuals can incorporate charitable giving into their estate plans. We'll also explore what happens if a charity is not included in one's will and emphasize the necessity of seeking proper legal counsel throughout this process.

The Importance of Legacy Planning

Legacy planning ensures that your values and charitable intentions continue to have an impact long after you are gone. By including charitable bequests in your estate plan, you not only support causes that are important to you but also leave a lasting legacy that reflects your commitment to making a difference in the world. Moreover, legacy planning can provide significant tax benefits and financial advantages for your estate and heirs.

One of the key reasons legacy planning is crucial is that it provides a structured way to manage and distribute your assets according to your wishes. Without a clear plan, your estate might be subject to intestate succession laws, which vary by state and might not align with your desires. Legacy planning also offers peace of mind, knowing that your loved ones and chosen charities will be taken care of in the manner you intended (#1) (#2).

Why It's Good to Have a Will

Creating a will is a critical component of legacy planning. It ensures that your assets are distributed according to your wishes and can help avoid potential disputes among heirs. A will also provides an opportunity to include charitable bequests, allowing you to support your favorite causes even after your death. Without a will, your estate will be distributed according to state laws, which may not align with your personal preferences or philanthropic goals.

A will is particularly important for legacy giving because it provides a clear, legal framework for your charitable intentions. It allows you to specify exactly how much and what type of support you wish to provide to various organizations. This clarity can prevent

misunderstandings and ensure that your charitable legacy is honored precisely as you intended (#1).

Types of Legacy Giving

There are several ways to structure your legacy giving, each with its own benefits and considerations:

1. **Bequests:** These are the most common form of legacy giving. Bequests are specified in your will and can take the form of a fixed amount of money, a percentage of your estate, or specific assets such as real estate or stocks. Bequests are straightforward to set up and can be easily modified if your circumstances or charitable interests change (#2).
2. **Donor-Advised Funds (DAFs):** DAFs are charitable giving accounts established with a public charity. You contribute assets to the DAF, receive an immediate tax deduction, and then recommend grants to your chosen charities over time. DAFs provide flexibility and anonymity, allowing you to manage your charitable giving strategically (#5).

DAFs are particularly advantageous for donors who wish to involve their families in philanthropy, as they can continue to advise on the fund's distribution even after the original donor's death (#1) (#2).

3. **Gifts of Assets:** This can include donations of real estate, stocks, or other valuable assets. Such gifts can offer significant tax advantages, especially if the assets have appreciated in value. By donating appreciated assets, donors can avoid capital gains taxes, which can increase the overall value of their charitable contribution (#2).
Donating appreciated real estate to a charity can offer significant tax advantages, while simultaneously supporting a worthy cause (#7).
4. **Life Insurance:** Naming a charity as a beneficiary of a life insurance policy can be a simple and effective way to make a significant future gift without altering your current financial situation. You can name the charity as a primary or secondary beneficiary, and in some cases, transfer ownership of the policy to the charity, which can then leverage it for immediate funding or as part of a long-term financial strategy (#2) (#1).
5. **Charitable Gift Annuities:** A charitable gift annuity is a contractual agreement between a donor and a charity, where the donor transfers assets to the charity in exchange for a lifetime annuity. This arrangement provides the donor with a fixed income stream, and

the remaining assets go to the charity upon the donor's death. Charitable gift annuities offer the dual benefit of supporting a favorite cause while providing financial security for the donor (#1).

6. **Pooled Income Funds:** Pooled income funds allow donors to contribute assets to a trust created by a charity. The donor receives a share of the income generated by the fund, proportional to their contribution. Upon the donor's death, the remaining assets go to the charity. This option provides immediate tax benefits and the potential for income during the donor's lifetime (#1) (#2).
7. **Beneficiary Designations:** You can designate a charity as the beneficiary of your retirement accounts (IRAs, 401(k)s) or life insurance policies. This allows you to make a significant charitable contribution while minimizing estate taxes for your heirs (#4).

Beyond Bequests: Expanding Your Legacy Giving Impact

Legacy giving extends far beyond bequests. Here are some additional ways to leave a lasting philanthropic mark:

- **Charitable Lead Trusts:** These trusts allow you to use assets to generate income for a designated charity for a specific period. After the term ends, the remaining assets pass on to your heirs, potentially reducing your taxable estate (#8).
- **Charitable Remainder Unitrusts (CRUTs):** These instruments allow you to receive a fixed percentage of the trust's value each year while the remainder goes to a designated charity at the end of the term (#3).

These options offer creative ways to leverage your assets for long-term charitable impact. Discussing these options with your financial advisor can help determine if they align with your financial goals and philanthropic aspirations.

Pros and Cons of Leaving Funds to a Charity

Pros:

1. Leaving a Legacy: Legacy giving allows you to perpetuate your values and make a lasting contribution to causes you care deeply about. Imagine your generosity continuing to support important work for generations to come.
2. Tax Advantages: Can provide significant tax deductions and reduce the taxable estate.

3. Flexible Giving: Legacy giving allows you to plan your charitable contributions in advance, ensuring your support aligns with your long-term vision
4. Peace of Mind: Knowing your charitable wishes will be honored provides immense peace of mind. You can rest assured that your resources are directed towards causes you believe in, even after you're gone.

Leaving funds to a charity through your estate can help solidify your legacy and provide substantial support to organizations that matter to you. Charitable bequests are often critical sources of funding for nonprofits, allowing them to plan for the future and undertake significant projects. Additionally, charitable gifts can offer tax advantages, reducing the estate tax burden and potentially providing income tax deductions for your estate (#2) (#1).

Cons:

1. Irrevocable: Once the bequest is made, it cannot be changed without updating your will.
2. Potential Disputes: May cause disputes among heirs if not communicated clearly.
3. Complexity: Requires careful planning and legal advice to ensure it is executed correctly.

One of the primary drawbacks of charitable bequests is their irrevocable nature. Once you pass away, the terms of your will are generally fixed, meaning that changes in circumstances or family needs cannot be accommodated without prior updates to your will. Additionally, charitable bequests can sometimes lead to disputes among heirs, especially if they are not informed about your intentions beforehand. Ensuring clear communication and legal guidance can help mitigate these risks (#1) (#2)

Steps to Add a Charity to Your Will

1. **Identify the Charity**: Choose a charity that aligns with your values and goals, like the *Naturist Society Foundation Inc.* It's important to ensure that the organization is reputable and financially sound. Researching the charity's mission, impact, and financial health can provide confidence that your legacy gift will be used effectively (#2) (#1).
2. **Consult an Attorney**: Work with an estate planning attorney to draft or update your will. This ensures that your bequests are legally binding and accurately reflect your

intentions. An attorney can also help you navigate any legal complexities and ensure that your will is compliant with state laws (#1).

3. **Specify the Bequest:** Clearly outline the type and amount of your bequest. This can be a specific sum, a percentage of your estate, or particular assets. Detailed instructions help prevent potential disputes and ensure that your wishes are carried out as intended (#2) (#1).
4. **Include Contingency Plans:** Specify what should happen if the charity you named no longer exists at the time of your death. This can include naming an alternative charity or allowing your executor to choose a similar organization. Contingency plans ensure that your philanthropic goals are still met, even if the original charity is no longer operational (#2). If you designate a DAF, provide clear instructions or guidelines on how any funds may be allocated and/or used (#5).
5. **Inform the Charity:** Consider informing the charity of your planned bequest. This can help them plan for the future and may also allow you to engage more deeply with their mission during your lifetime. Some charities have legacy societies that recognize and honor donors who include them in their estate plans (#1) (#2).

What Happens if the Charity No Longer Exists?

If the charity you included in your will no longer exists when you pass away, your estate plan should include provisions for such a scenario. One option may be to consider incorporating a "cy pres" clause in your will. This legal provision empowers the executor of your estate to designate a substitute charity whose mission aligns most closely with that of the originally designated organization, in the event it no longer exist (#6). This ensures that your philanthropic goals are still met, even if the original charity is no longer operational.

Including such contingency plans in your will is crucial for preserving the integrity of your charitable intentions. An estate planning attorney can help you draft these provisions, ensuring that your legacy gift remains impactful and relevant, regardless of changes in the nonprofit landscape (#1) (#2).

The Importance of Legal Advice

Proper legal advice is crucial when planning your legacy giving. An experienced estate planning attorney can help you navigate the complexities of charitable bequests, ensuring that

your wishes are clearly articulated and legally binding. They can also help you understand the tax implications of your gifts and how to structure them for maximum benefit to both you and the charity.

Legal advice is also essential for ensuring that your will and other estate planning documents comply with state laws and are executed correctly. Mistakes in drafting or executing these documents can lead to legal challenges, potentially delaying the distribution of your estate and undermining your charitable intentions (#1) (#2).

Expanding Your Philanthropy: Additional Considerations

Legacy giving is not a one-size-fits-all approach. There are additional strategies and considerations that can further enhance the impact of your charitable contributions and ensure they align with your overall financial and estate planning goals.

Conclusion

Legacy giving is a powerful way to ensure your commitment to charitable causes endures beyond your lifetime. By including charitable bequests in your estate plan, you can leave a lasting legacy, support the organizations that matter to you, and potentially gain significant tax benefits. Proper planning and legal advice are essential to maximize the impact of your gifts and to ensure your wishes are carried out as intended.

See our step-by-step guide on how you can include The Naturist Society Foundation, Inc. in your legacy planning and help support our future efforts.

References

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