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Types of Bequests

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Bequests, the foundation of most planned gift programs, come in many shapes, sizes and styles. The PG officer must learn the various structures of bequest intentions and then match their purpose to the donor's objectives.

A bequest may come from a will, a living trust, a testamentary trust, a charitable trust or thru a bequest substitute, i.e. beneficiary designations of insurance policies or retirement plans. Donor action is required to fulfill their charitable intentions as state intestate laws never include charitable bequests.

An attorney approved bequest wording brochure with examples should be available at all times for professional advisor and prospect inquiries. It should include specific reference to the legal name and tax exempt number of the charity; i.e. ...to LaSalle University, a Pennsylvania not-for-profit corporation located in Philadelphia, Pennsylvania, Federal Tax ID Number xx-xxxxxxx.

While most common bequests flow from cash, stocks, bonds, mutual funds or real estate, donors may bequeath any item of tangible personal property. A donor may express their bequest by listing an item, an amount, a percentages, or shares. A bequest would lapse if the individual does not own the asset at death.

Specific asset bequest delivers to the charity or individual beneficiary an item described by the donor. Example: Martha Washington drew little pictures of her prized possessions in order to insure their delivery to her beneficiaries. More common language would be, "I leave my 1890 grandfather clock to ABC Historical Society." Some states permit an individual to create a written list referenced in the will of personal property to be transferred at death.

Specific amount or general bequest delivers a set dollar amount to the beneficiary. Example: "I leave \$10,000 to Memorial Hospital." The impact of a specific amount bequest may be substantially less due to the impact of inflation.

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Percentage bequest delivers a stated percentage of either the donor's entire estate, residuary estate or a specific asset to the named beneficiary. Example: "I leave 10% of all my estate to North College;" or "I leave 25% of the rest, residue and remainder of my estate after payment of all bequests to St. Nicholas Church;" or "I leave a 50% interest in the 5,000 acres of timberland I own on Magic Mountain to Save the Earth."

Residuary bequest delivers the balance of an estate or a designated percentage of the balance to the named beneficiary after all estate administrative cost, and bequests have been fulfilled.

Contingent bequest delivers the stated asset to a beneficiary if some event occurs. Generally a charity is listed as a contingent beneficiary after the death of a prior beneficiary. Example: "I give to my nephew, Leroy Jones, \$100,000 providing he survives me and if not I give a like amount to Helpful University."

Bequest purpose

Bequest language should include wording stipulating its purpose. Bequests may be for either general use or for a designated purpose. Stipulations have implications for the proper accounting of bequest income and ensures donor support will be applied for its intended purpose.