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The Planned Giving Course
Session 2:
Bequests & Beneficiary Designations

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Segment Highlights

- Why Bequests? **part of a complete planned giving program**
- What is a bequest? **Pertinent concepts and documents**
- How to get bequests and how to keep them: **solicitation and stewardship**
- How to realize bequests: **Internal Estate Administration**
- **Ethical considerations:** undue influence, donor's wishes and your mission, naming staff as beneficiaries.

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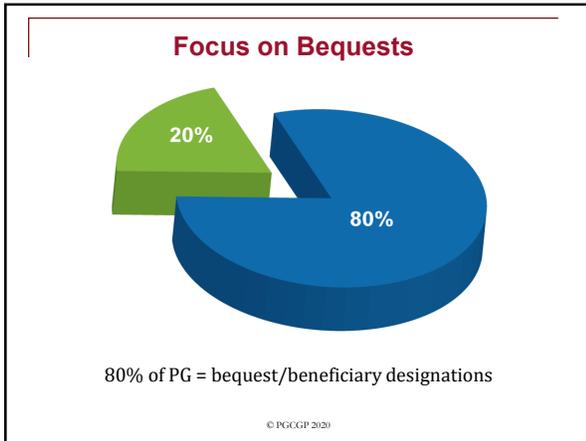
SEGMENT HIGHLIGHTS

WE WILL ALSO COVER:

- Bequest equivalent or beneficiary designation gifts
- Retirement Plans
- Insurance Policies

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Great Potential

- Aging demographic: first Baby Boomers turned 70 in 2016
- Education rates up
- Child “freeness” up
- But, fewer than 50% of Americans have wills
- Education of donors is essential

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Who are your best prospects?

Among those leaving a bequest

% Leaving Charitable Bequests	Population Segment
4%-5%	Everyone
10%	Givers of \$500 or more annually to charities
20%	Moderately wealthy – passing away with \$3.5 million to \$10 million
28%	Pretty wealthy – passing away with \$10 million to \$20 million
40%	Very wealthy – passing away with over \$20 million in assets

Sources: IRS Data as reported in Giving USA 2012

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Types of Bequests

- Specific bequest – asset or dollar amount
 - Cash
 - Stock (securities)
 - Real estate
 - Tangible personal property
- Percentage bequest
- Residue – balance after specific bequests
- Contingent

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Wills and Codicils

- Governed by state laws
 - In writing (i.e. usually not handwritten)
 - “testamentary intent”
 - Signed by the testator
 - Properly witnessed
 - Mental capacity
- Final version supersedes all others
- Only those wills submitted for probate will result in the accurate distribution of assets. The will has to be available.

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Estate Administration: Basic Steps

Overview of process that can take about a year to complete

- Governing (state) law: domicile of decedent or *situs* of assets, e.g. real estate
- Probate - qualification of personal representative (Executors and Administrators)
 - Notify creditors
 - Assemble, value, protect and manage assets
 - Notify legatees/beneficiaries
 - File tax returns
 - Accounting of estate and administration
 - Distribute assets

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Role of State Attorney General

- Varies from state to state
- Protects charitable interests
- If required, receives notice from executor
- Reviews/approves estate management and fees prior to distribution
- Must approve any changes that are needed to implement a donor's wishes

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Non-probate assets

- Living trusts – aka “revocable inter vivos trust”
- Jointly owned property – right of survivorship
- “Payable on death” (POD) accounts
- Life insurance – beneficiary designation
- Retirement plan – beneficiary designation
 - IRA, 401(k), 403(b)
 - Pension plans

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Life Insurance

- Beneficiary Designation
 - Primary or contingent
 - Great way to secure gifts from young donors
- New policies
- Gift of existing “paid up” policy
 - Value > \$5,000 triggers appraisal
 - Donor must give up “incidents of ownership”
 - What to do with it?
 - Keep it
 - Sell it (viatical settlement)
 - Surrender it (for cash value)

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**Advantages of
Beneficiary Designation Gifts**

- Naming charitable beneficiary, primary or contingent, is SIMPLE and FREE
- Direct payment to charity avoids probate
- Rising use of non-probate transfers (decline in wills and bequests)
- Save taxes – estate and income
- *LOTS* of assets in retirement plans
- **Caveats:** How do you realize beneficiary designation gifts?

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**HOW TO ENCOURAGE BEQUESTS
AND DESIGNATED BENEFICIARY
GIFTS**

- Marketing and education
 - Existing publications, seminars, newsletters web site
- Legacy Society
 - Establish a protocol for acknowledging new commitments; onboarding
- Stewardship
 - Recognition, events, visits, testimonials

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SOLICITING BEQUESTS

- HOW TO START THE CONVERSATION
- THE RIGHT DONOR
- CAMPAIGNS
- MARKETING
- FACE TO FACE CONVERSATIONS

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BEST PRACTICES FOR REALIZING BEQUEST GIFTS

- The gift has matured – **Now What**
- Establish a protocol for tracking gifts
- Maintain a tickler file
- Acknowledge notice of probate and contact attorney for the estate
- Send a condolence letter to family
- Establish and maintain estate file
- Determine internal protocol for establishing funds/endowments
Minimum amounts, who are your internal partners?
- **Ethical Considerations:** Are you able to accept and use the gift?

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ASK!

Donors who were directly asked for a bequest were 17 times more likely to make a gift than donors not asked.

Source: DameGreene, S. - The Journal of Gift Planning, 7(2), 17-52.
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Thank You!

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