

A grayscale image of a will document. The document has a decorative border and contains the text "Last Will and Testament". Below this, there are numbered clauses: "1. I hereby revoke all wills and every nature and kind" and "2. I hereby". A pen is resting on the document, and a pair of glasses is visible in the foreground.

**Congratulations!**  
**You're in the will!**

The background is a grayscale image of a document titled "Last Will and Testament". A pen is visible at the top right, and a pair of glasses is at the bottom. The document has a decorative border on the left side.

**Congratulations!**  
**You're in the will!**

**But are you really?**

# Charitable Bequests



- Charitable bequests are by far the most popular kind of planned gift.
- It is estimated that between \$6.6 trillion and \$27.4 trillion in charitable bequests will be made between 1998-2052.



# Easy!



As fundraising professionals, one of the first things we learn about planned giving is that “anyone can make a meaningful gift through a bequest”

We tell our donors that “making a bequest is as simple as inserting a few sentences into your will.”

**“You’re in my will.”**



The NCPG (2000) study showed that 90% of planned bequest donors don't change their plans

# Dr. Russell James Study

# Fiction

The NCPG (2000) study showed that 90% of planned bequest donors don't change their plans

# Fact

It showed that **IF** charity stayed in, plan changes decreased total charitable amount 10% of the time



Among those (avg. age of 58) **WITH** a charitable plan, 10% chose “Amount Decreased” when asked about their overall plan, “Has the amount of the charitable bequest ever increased or decreased?”



# **“You’re in my will.”**

**So....in 2000 your 70 year old donor tells you that your organization is “in the will” and that your charity will receive the remainder of his estate.**

**He tells you that he values his net worth to be about \$2,000,000.**

**We think that your organization will receive a distribution of at least \$1,500,000 upon your donor’s death.**

**Right?**

**Not  
necessarily**



You learn that your  
Donor died on  
September 1, 2016.



Your Charity is not in  
his will.



What went  
wrong?





# Don't just thank them and forget them



Don't ignore  
your  
***Bequest  
Donors***



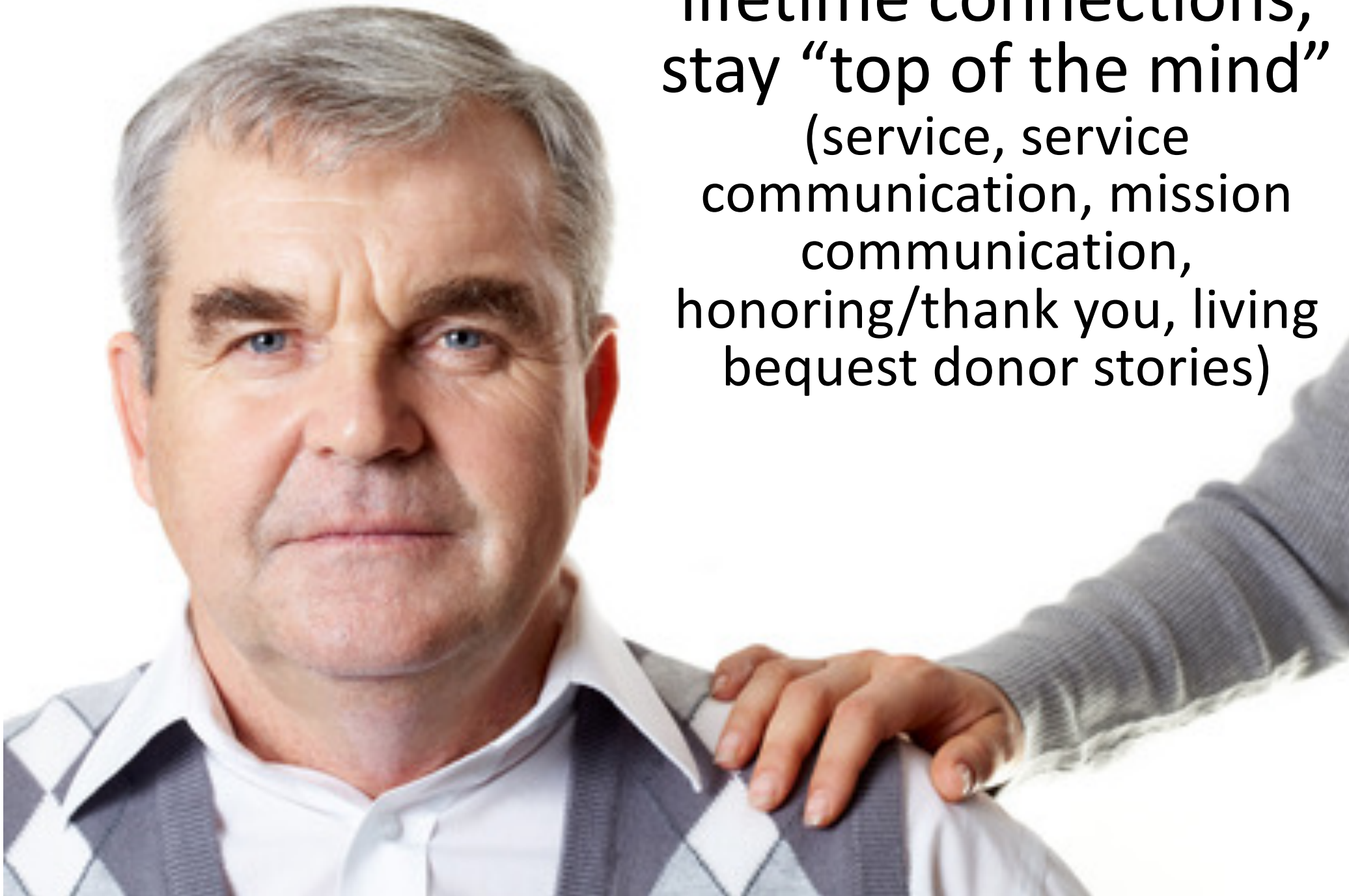
# Estate Intentions Change when

- *Decline in health*
- *Diagnosis with cancer, heart disease, stroke (think I am going to die)*
- *Divorce*
- *First child*
- *First grandchild*
- *Becoming a widow or widower*





For those 75+ with  
lifetime connections,  
stay “top of the mind”  
(service, service  
communication, mission  
communication,  
honoring/thank you, living  
bequest donor stories)



A woman with long, dark, wavy hair and bangs, wearing a white jacket, is holding a small green seedling in her hands. She is looking directly at the camera with a slight smile. The background is plain white.

# **A bequest commitment is the beginning, not the end**

Higher value  
in converting  
to irrevocable  
commitments:  
gift annuities,  
charitable  
remainder trusts,  
remainder interests  
in homes



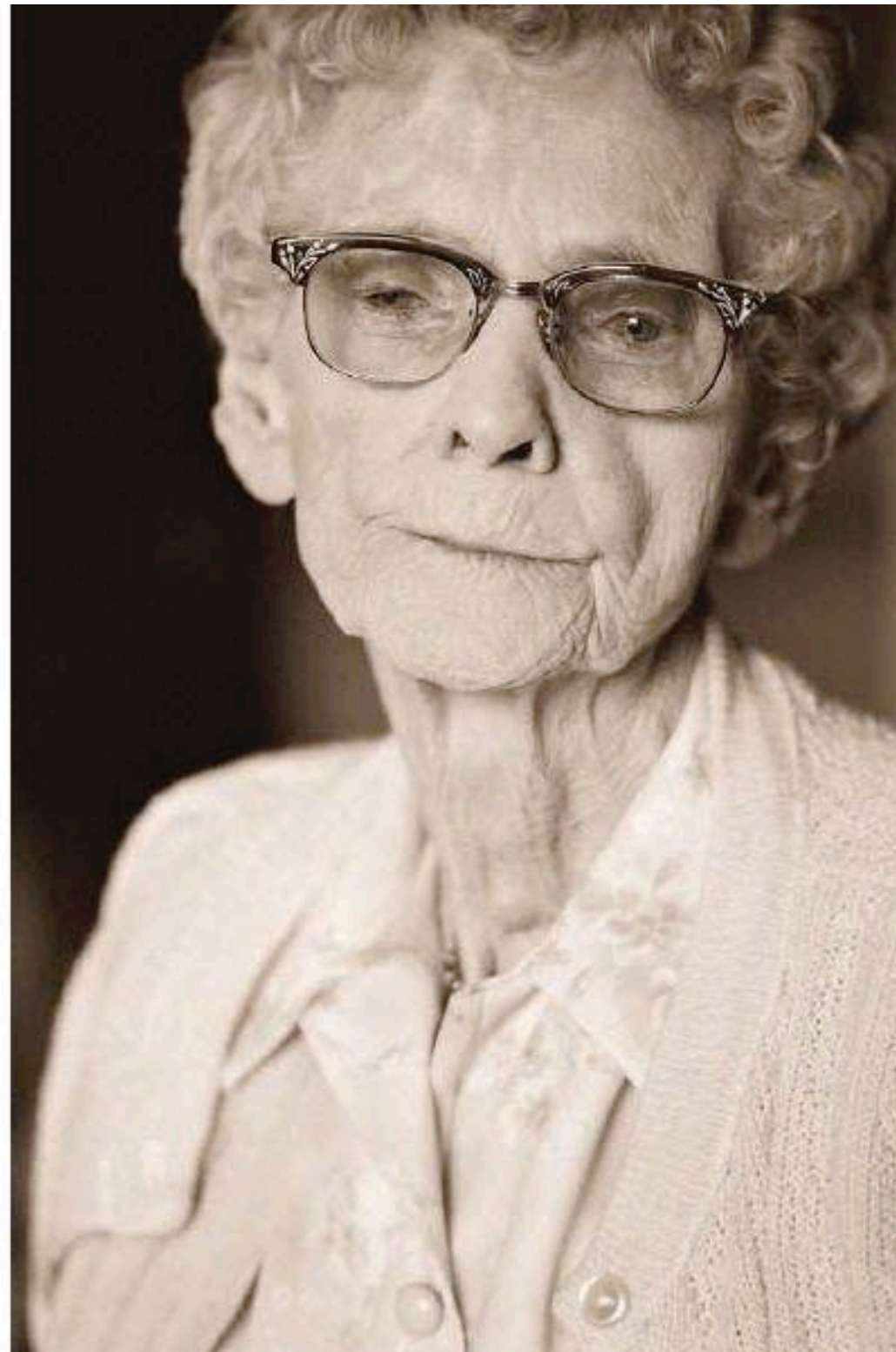
Bequest is in the will but contingent on spouse  
(or other person)  
predeceasing the donor



“If my spouse  
predeceases me by 30  
days, I give the rest,  
residue and remainder  
of my estate to the  
Charity.”

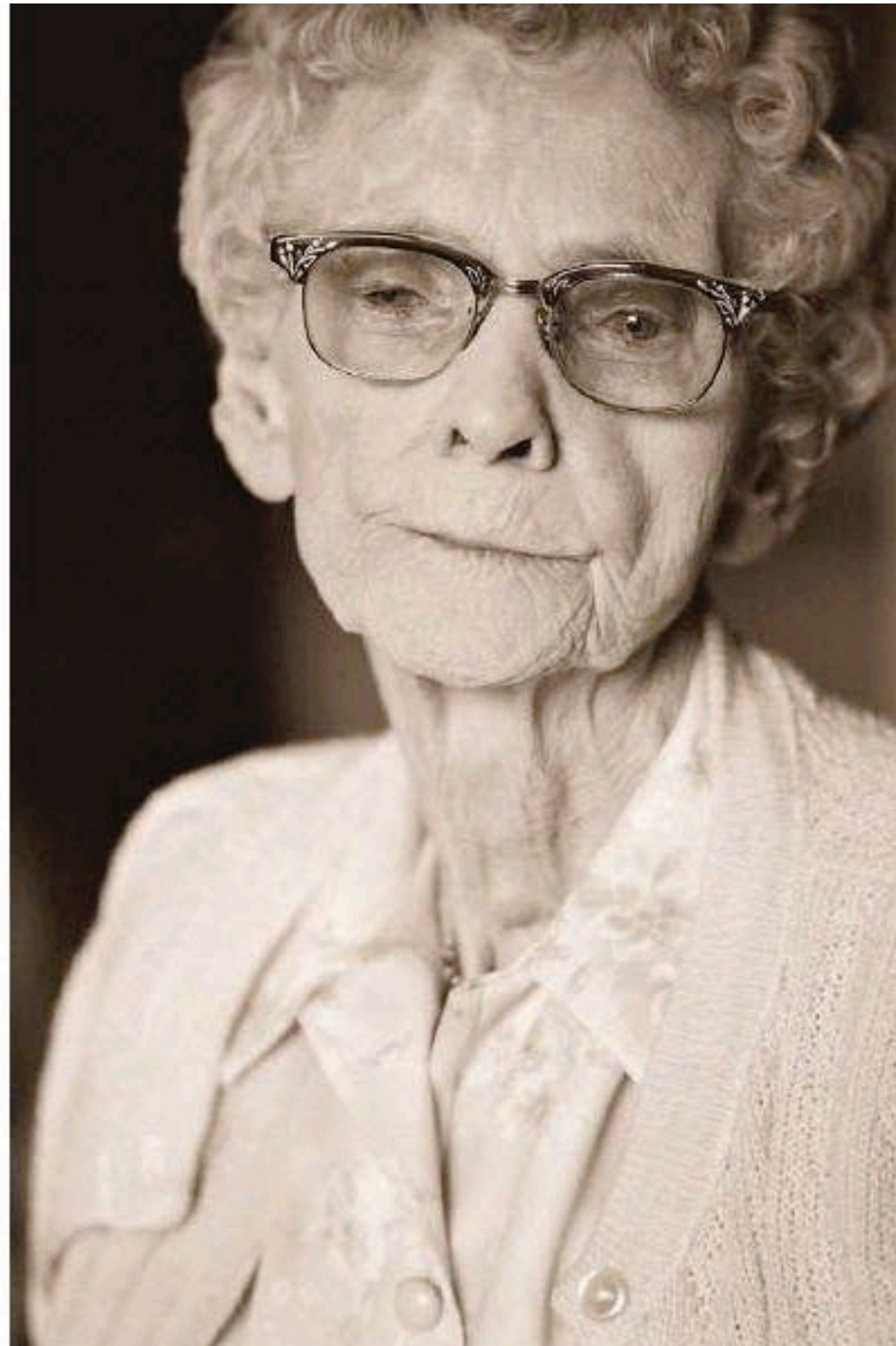
Testament  
and  
of

Bequest  
provision  
not in  
spouse's will





Or  
provision in  
spouses will  
But....







# Moral

- Engage spouse in conversation.
- Steward spouse as you would primary donor



Your Charity is in his will  
but only receives  
\$250,000.

Not the \$1,500,000 you  
were anticipating.



What  
happened?



# Not enough assets left at death



There are assets,  
But.....





There are assets,  
But.....

We didn't  
know enough  
about how they  
were held.



The need to understand what the assets are and how they pass on death



In Our Hypo  
\$2,000,000 Estate

\$1,300,000 401(k)

\$ 450,000 House

\$ 50,000 Personal Property (Car, Artwork,  
Furniture, etc.)

\$ 200,000 Cash, Stock and Mutual Funds

\$2,000,000

# The Way Assets are Titled

## Estates do not include:

- property held in trusts
- assets with a payment-on-death (POD) or transfer-on-death (TOD) clause
- assets with named beneficiaries, such as Retirement Accounts (401 (k), IRAs and life insurance policies...**unless** the decedent named the estate (or the Charity) as the recipient of the property

# **States allowing Real Property “Transfer on Death”**

**Alaska  
Arizona  
Arkansas  
California  
Colorado  
District of Columbia  
Hawaii  
Illinois  
Indiana  
Kansas  
Minnesota  
Missouri  
Montana**

**Nebraska  
Nevada  
New Mexico  
North Dakota  
Ohio  
Oklahoma  
Oregon  
South Dakota  
Texas  
Virginia  
Washington  
West Virginia  
Wisconsin  
Wyoming**



In Our Hypo  
\$2,000,000 Estate

**Beneficiary – Niece/Nephew**

~~\$1,300,000 401(k)~~

\$ 450,000 House

\$ 50,000 Personal Property (Car, Artwork,  
Furniture, etc.)

\$ 200,000 Cash, Stock and Mutual Funds

\$2,000,000

In Our Hypo  
\$2,000,000 Estate

\$1,300,000 401(k)

\$ 450,000 House

\$ 50,000 Personal

Furniture

**POD – Niece/Nephew**

\$ 200,000 Cash, Stock and Mutual Funds

\$2,000,000

In Our Hypo  
\$2,000,000 Estate

~~\$1,300,000 401(k)~~

\$ 450,000 House

\$ 50,000 Personal Property (Car, Artwork,  
Furniture, etc.)

~~\$ 200,000~~ Cash, Stock and Mutual Funds

\$500,000

A dark blue fountain pen with gold-colored accents is positioned diagonally across the upper half of the image. Below the pen, a large, light gray, rectangular stamp with rounded corners contains the word 'PROBATE' in a bold, serif font. The background is a textured, light brown surface with faint, dark, stylized lettering, possibly 'WILL', visible through the stamp and behind the pen.

# Remember:

- A charitable bequest is not immune from the legal priorities of estate administration, particularly the payment of required expenses of the estate.



# Expenses Paid from an Estate

- **Funeral/burial expenses:** In most states, funeral expenses receive top priority when an executor begins paying debts and expenses from estate funds.
- **Administrative expenses:** Financial and legal professionals, executor
- **Final bills/taxes:** home insurance, utilities property taxes, credit card bills, medical bills, income tax, estate tax and other debt

In Our Hypo  
\$2,000,000 Estate

\$500,000

-\$125,000 Funeral/final medical other  
outstanding obligations (credit  
cards/car payments)

-\$ 40,000 Expenses for sale of house

-\$ 75,000 Professional fees (Attorneys,  
Accountant)

-\$ 10,000 Executor fee

**\$250,000**

# Bequest Intentions

After the assets are found and obligations are paid, one of three results can occur:

- There **is** a remaining estate to be distributed.
- There **is no** remaining estate left.
- There is a remaining estate, **but not enough** to satisfy all of the gifts listed in the will.

Distributions will be made pro-rata

# Trusts

- The most common form of trust used to remove property from probate is a **revocable living trust**.
- Assets that are put into a trust while the deceased is still alive belong to the trust, not to the deceased, at the time of death.
- The trust is a legal entity that survives the person who created it. Because of this, those assets are **not included** in the estate that has to go through probate.



# **A Residuary Beneficiary could get a Windfall ...or Nothing at All**

- The size of your donor's residuary estate may not even be clear to your donor, because the value of the residuary estate changes over time as beneficiaries die, debts pile up, or property increases in value.
- Additionally, because all debts and expenses are paid first out of this residual property, the residuary estate cannot be determined until all of these additions and subtractions are made, and the beneficiary could get a windfall .... or nothing at all.
- The residuary beneficiary also receives any "lapsed" gifts – gifts that fail because the beneficiary died before the will maker—as well as any property for which the will maker did not name a specific beneficiary.

# **Bequest Administration**



Case Study: Estate of John Winchester  
*Accounting (due 9 mo. after appointment of PR)*

Reach out to the  
Executor for more  
info on 25% fee &  
stock loss

Set a “threshold”  
amount for spending  
additional  
time/resources (e.g.,  
\$10k)

State Attorneys  
General can be  
helpful going after  
Executors

Retain outside  
counsel to help

- July 19, 2006 to September 20, 2009

3 years, 2  
months

• Value at Date of Death: July 19, 2006	\$5,778,464
• Income: Interest & Dividends received	\$202,246
• Specific bequests paid	(1,000,000)
• Debts of decedent paid (final medical, cremation, accounting, rent)	(35,990)
• Misc. administrative expenses	(1,232)
• Legal fees	(242,695)
• CPA fees	(57,784)
• Executor fees	(1,444,616)
• <u>Realized income: stocks &amp; bonds</u>	<u>(2,022,462)</u>
• Value as of February 29, 2016	\$771,339

4.2%

1%

25%

Loss

# Know What to Expect

- When a donor tells you that your organization is “in the will,” get as much information as you can about the donor’s assets.
- When you meet with your donor, talk about the family dynamics. How does the family communicate? Do they know about the amount of wealth? Do they know about the estate plan?



# The score doesn't count until the clock runs out



- Plans change every time a donor opens a new account with a TOD/POD or changes a joint account owner
- Plans become unstable as death approaches
- Stay connected! Stay communicating!

# Questions?

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