

GIVING QUESTIONS: SCOUTING ANSWERS



PART III. BEQUESTS AND REVOCABLE GIFTS



BOY SCOUTS
OF AMERICA®
NATIONAL FOUNDATION

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THE GIVING QUESTIONS: SCOUTING ANSWERS SERIES

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This series of informational booklets is available through the BSA Foundation, as well as online at www.bsafoundation.org.

SCOUT OATH OR PROMISE

On my honor I will do my best
To do my duty to God and my country and to obey the Scout Law;
To help other people at all times;
To keep myself physically strong, mentally awake, and morally straight.

SCOUT LAW

A Scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent.

SCOUT MOTTO

Be prepared.

SCOUT SLOGAN

Do a good turn daily.

“In my family, as each boy reaches Scout age, I make sure he learns the Scout Law. Then I break it down for him, with a few things I have picked up in more than half a century since I learned it.”

John Wayne

“The only things we keep permanently are those we give away.”

Waite Phillips



BEQUESTS AND REVOCABLE GIFTS

Wills, Bequests, and Living Trusts

Do you have a valid will and/or living trust, and is it up to date? Does it protect your current family and philanthropic needs? A current and valid will is the cornerstone of all financial planning; many people also use living trusts as well.

Studies show that at least six out of ten adults in the U.S. do not have a valid will. Without a will – even a simple will – you cannot control who gets your property, what they get, or when they get it. You cannot protect minors, special needs family members, and you have no control over who oversees your estate. And if you don't have a will, your state will be more than happy to distribute your assets the way it wants, under state statute.

Making a charitable bequest in a will is the most familiar and widely used planned gift to benefit Scouting. This is how many donors choose to establish their legacies, comfortable that they may change or revoke their designations at any time during life. There are different types of bequests to consider, such as:

1. **General:** A designated amount of money, such as “\$10,000”.
2. **Specific:** A certain item, such as “my 100 shares of Apple stock,” “my home at 123 Main Street,” “my Norman Rockwell painting titled XXXXX,” etc.
3. **Percentage:** A designated percentage of your estate, or part of your estate – e.g., “25% of the farm I own at 125 Market Road.”
4. **Residuary:** All or part of anything left after all other general and specific bequests are satisfied. Such as “25% of the rest and residue of my estate.” With these bequests, there may or may not be anything left for Scouting.
5. **Contingent Bequest:** Only takes effect if another bequest fails, such as “If my father should predecease me, then this property should go instead to the XYZ Council, BSA.” Again, it’s possible that nothing will be left for the council.

If your estate is large enough to owe estate tax, your charitable bequests are tax deductible from the estate. For other sample bequest language, please visit www.bsafoundation.org and visit the Bequests section.

You may also use your will to establish, or add to, trusts or funds you created during your lifetime. For example, a donor during his/her life can create a donor advised fund, charitable remainder trust, scholarship fund, etc., but not fund it until death – instead, using a bequest or living trust provision to do so. If you prefer using a living trust instead of a will, Scouting can also easily be included in that.

Changing an Existing Will

If you already have a will and want to make some simple changes, you may not have to re-do your entire will. You can make simple changes to a will using a *codicil*. A codicil is an addition or amendment to an existing will. They need to be executed with the same state law formalities as your will, but they are often very short in length – the gift you add, or the change you make, may be as little as one sentence! Like your will, they also can be revoked or changed during your lifetime.

No matter what your charitable plans, please ensure you have a valid will, and regularly review it so it meets the changing needs of you and your family. Also, consider the many benefits, and the great impact, of naming Scouting in your estate plan.

Don't have a will, and don't plan to see an attorney about your estate plan any time soon? While we cannot recommend that – please, if your state law allows it – consider taking a couple of minutes to do a handwritten, basic will that accomplishes the things most important to you, sign it, and

date it. Check your state law and what it requires for a valid, handwritten will (or if it even allows it). At some point, you will want a qualified attorney to help. But even a simple, basic will, leaving everything to a spouse, children, or other loved ones, and naming an executor, is a vast improvement over no will at all.

LIFE INSURANCE

Life insurance plays an important part in the estate plans of many people. Most people have some form of insurance; many have policies no longer needed for its original purpose. For example, do you have a policy for:

- Children/spouses who no longer need it, or are from a previous marriage?
- A home mortgage, or educational expenses that no longer exist?
- A business you no longer own, or has other coverage at this point?

It may be beneficial to donate such policies to Scouting. In general, if you donate a new or existing policy, your tax deduction is about equal to the policy's cash surrender value. You can also deduct any annual amounts paid to keep the policy in effect.

A donor has a \$100,000 life insurance policy she no longer needs. It has a cash surrender value of about \$64,000 and she makes annual premium payments of \$1,100. If she gives the policy to the council, naming it as owner of the policy, she receives a tax deduction of about \$32,000. She may also deduct her \$1,100 annual gifts to the council to help it keep the policy in force.

Some of the most common uses of life insurance in charitable planning:

- Name your council as a beneficiary, or owner, of an existing policy.
- Buy a new policy and give it to the council.
- Use your tax savings from a previous gift to Scouting and buy a new policy, such as a second-to-die policy, that names your children as beneficiaries, “replacing” the previous gift.

A donor makes a \$250,000 gift to his council for its campaign. His children aren't very happy about losing part of their inheritance. The donor “replaces” the gift in his estate with a \$250,000 second-to-die policy, and names his children as beneficiaries. He pays for the policy using part of the tax savings from his earlier gift. The children are happy again.

As with all “check the box” types of designations, please review them regularly to make sure they reflect your wishes and any changes in your personal situation. Also, to get a deduction, you must transfer the policy to Scouting, as the new policy owner. Merely naming Scouting as a beneficiary of your policy will not generate a current tax deduction (because, as with a bequest, you can change your mind). But retaining the freedom and flexibility to change beneficiaries is often important to many donors. Talk to your own advisors about what is best for you and your family.

IRAs AND RETIREMENT PLANS

Retirement fund assets can be among the most significant assets left in an estate. Unfortunately, leaving IRA assets to heirs may be one of the costliest gifts of all, especially if you still have a taxable estate.

You can name Scouting as either a primary or contingent beneficiary of a retirement account (e.g., IRA, 401(k), 403(b), etc.). These gifts may enable you to make a larger gift than you expected; IRA distributions at death, made to Scouting, are not hit with taxes, as are distributions to individuals.

For many donors, the best tax wise way to deal with IRAs and other retirement assets estate plans is to name either a spouse or Scouting (or both) as survivor beneficiary. It is easy to name Scouting as an alternate or contingent beneficiary of your retirement accounts – simply request a change-of-beneficiary form from your plan administrator. IRA and other retirement account designations may also be used to fund a charitable trust or fund created during your lifetime (such as a donor advised fund, or scholarship fund), or in your will (such as a testamentary trust).

The flexibility and revocability of IRA designations and the potential tax savings from such charitable gifts may be a great way to meet your philanthropic objectives. Talk with your own adviser.

BANK OR BROKERAGE ACCOUNTS

There are two easy and effective options you can use to make these gifts:

Payable on death (POD) and Transfer on Death (TOD)

Payable on Death (POD) designations are used for bank accounts or certificates of deposit. Transfer on Death (TOD) designations are used for your brokerage or investment accounts. But they operate the same way.

Placing a POD designation on your bank account or CD, or using a TOD designation on your brokerage or investment accounts, allows you to name one or more charities, or persons, as beneficiary of the funds or securities upon your death. These beneficiaries have no rights to the funds until after your lifetime. Until then, you control the funds and may use the money or securities in the account, change beneficiaries, close the account – whatever you choose.

As with other beneficiary designations, these simplify your estate administration process, because they will automatically transfer to your designated beneficiaries without being hung up in the estate. Simply ask your bank representative or investment advisor about the simple steps you need to take to place a POD or TOD designation on your accounts.

As with other gifts, state laws in your state govern POD and TOD accounts. Please consult with your financial professionals about these gifts.

NON-CHARITABLE TAX PLANNING

Charitable gifts play an important role in any estate plans – but there are other strategies that are important to an effective estate plan. These strategies typically involve lifetime transfers to your family and loved ones – timing those transfers to minimize the tax burden, and planning them to accomplish what you want, and what others need.

The federal gift tax applies to the giver of a gift, not the recipient, for amounts above a specified level. Most gifts are sheltered from gift tax by an *annual exclusion* and a *lifetime exemption* – sometimes, both.

Annual Exclusion

You can give gifts valued up to the annual gift tax exclusion amount each year without ever touching the lifetime exemption. For 2018, the exclusion is **\$15,000** per recipient. This is per person, per year, to as many people as you want. If you are married, your spouse can also give \$15,000 a year to anyone he or she chooses, without owing gift tax.

A married couple has two children and four grandchildren. The couple can transfer a total of \$180,000 a year to their children and grandchildren (\$15,000 from husband + \$15,000 from wife x 6), tax free. These gifts may be outright or in trust, and can be done every year.

If your annual gifts exceed the annual exclusion, you have two options:

- 1) pay the gift tax on the excess gift over the annual gift tax exclusion, or
- 2) avoid the gift tax by using part of your lifetime exemption.

The annual gift tax exclusion is often an excellent way to transfer assets from one generation to another, without having to wait for your estate to do it for you.

Lifetime Exemption

In addition, if you make gifts above the annual exclusion amount, you can also tap into your lifetime exemption. As of the 2018 tax law changes, the lifetime estate and gift exemption effectively shelters from tax the transfer of up **\$11,200,000**, per person, either during life or at death.

The greatly increased lifetime exemption presents some great opportunities for families. It means:

- A couple will likely not owe any transfer taxes, or estate taxes, regardless of who they give it to, or when, if their estate is less than \$22,400,000.
- Statistically, about 99% of all estates no longer owe estate tax, because the exclusion amount exceeds the value of the estates.
- Setting up trusts for family members just to save taxes may no longer be needed. There are other good reasons to set up trusts, e.g. controlling funds for minors, special needs family members, education, etc. But saving taxes may no longer be one of them.
- It greatly increases how much you leave to family tax free, and to Scouting for the purposes you love and support.

As with all planning, discuss this with your own advisers, especially considering the frequent changes in tax legislation. There are two other exemptions from estate and gift tax that can be very effective as well:

Unlimited Marital Deduction

The amount that can be given by one U.S. citizen spouse to another, either during life or at death, is unlimited. Tax-free gifts to non-U.S. citizen spouses, however, are considerably more limited.

Unlimited Charitable Deduction for Estates

If your estate may still be subject to the estate tax (currently, the Federal estate tax rate is 40%), the estate receives an unlimited charitable estate tax deduction for any amounts directed to charity by will, trust, or gift instrument.

For an even more effective estate plan, also consider these strategies:

- Try to itemize your deductions to help you maximize the amount you can deduct. Consider pre-paying 2-3 years' worth of your regular annual gifts, accelerating pledge payments, and even setting up a donor advised fund to direct future charitable gifts.
- Even if you don't itemize deductions, you may still see considerable tax benefits from gifts of appreciated property. Cash gifts are after-tax dollars, whereas gifts of appreciated property such as stocks and bonds usually represent pre-tax dollars.

- If you are in a high tax bracket, try to shift as much taxable income (dividends, taxable interest) to: 1) income that is either tax-free or long-term capital gain, or 2) to family members in lower tax brackets, either outright or through trusts.
- Defer income to years when you're in a lower tax bracket, and take deductions in years when you're in a higher tax bracket. Consider setting up a deferred gift annuity, giving you tax deductions now but deferring income to lower tax years.



FOR MORE INFORMATION

To find out more about the many giving opportunities available through Scouting, as well as our other planned giving resources, seminars, and consultation or endowment recognition programs, please contact:

1. Your Scout executive at your local council.
2. The National BSA Foundation at 800-580-2219.
3. The Foundation's Web site at www.bsafoundation.org
4. Our charitable gift Web site at www.bsagiftplan.org.

This site includes a Gift Calculator to help you confidentially consider the tax benefits and deductions of numerous types of gifts.



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