

## BEQUESTS AND CHARITABLE DESIGNATIONS



How you arrange your estate plans involves some of the most consequential, personal, and emotional decisions you will make in your lifetime. A will or living trust is among the most private and sensitive of documents. For most people, family comes first, but many alumni and friends also choose to include a bequest or beneficiary gift to the University of Maryland, Baltimore (UMB) or one of its seven schools, via the University of Maryland Baltimore Foundation. Your beneficiaries, both human and charitable, carry on your legacy through your written and executed estate plans.

People who choose to include one or more charities in their estate plans usually either make a **bequest**, which is a provision in a will or living trust describing the gift, or name the charities as **beneficiaries** of IRA accounts, other retirement plans, or insurance policies. Which method donors choose depends on a long list of factors, including one's family situation, one's tax situation, the size of the gift in question, where someone is in the estate planning process, the type of assets owned, the recommendations of professional advisors, etc.

### *Why estate gifts?*

Bequests and beneficiary designations are by far the most commonplace and significant planned gifts received by UMB and most other charitable organizations, for understandable reasons:

- Bequests and beneficiary gifts happen only after all lifetime needs, and often loved ones' lifetime needs, are met, ensuring the assets are available to the donor and the family. Bequests often are made out of residuary funds after specific amounts and assets are first given to individual family members.
- Bequests and beneficiary gifts are revocable, so the donor can change their mind or alter the gift if their circumstances change.
- Although there is no minimum amount to a bequest, they are among the largest gifts ever made and are frequently used to establish permanent endowments such as scholarships, professorships, and research funds.

For some, bequests are symbolically important, creating an eternal legacy — sometimes token, sometimes large — to institutions and causes that changed their life. To others, it is simply the most practical way to make the largest gifts they wish to make, at the moment in time when one can most afford to give away one's wealth, without risking lifetime needs and desires. Either way, naming a charitable organization among your "heirs" is indeed a significant decision, but fortunately donors today have many ways in which to execute legacy gifts.

## *Provision vs. designation*

### Provision in a will or living trust

The primary bequest option is a written provision in a will or living trust document naming the University of Maryland Baltimore Foundation for the benefit of the school, program, or fund of choice, or for the institution at-large.

A written provision can be as simple as "... I give X to Y for Z" or highly detailed depending on the desires of the donor. Typical bequest provisions designate a fixed dollar amount or fixed percentage of the estate residuary to the University of Maryland Baltimore Foundation, and then further designated to a school, department, program, or fund. The general suggested language is:

*I give to the **University of Maryland Baltimore Foundation**  
[insert dollar amount, percentage of residuary estate]  
for the [insert name of school, department, program, or other  
designations about the use].*

If the bequest will be establishing an endowed fund (current minimum \$25,000), we request the donor discuss the proposed endowment with us, and sign a memorandum of understanding (MOU) that documents their wishes for the fund. The MOU serves as the permanent governing document for the endowed fund once it is created in the future, documenting decisions about the name, use of funds, etc. For gifts to start an endowed fund, we suggest the same language as above, with the addition: *"to establish an endowed fund as described in a memorandum of understanding on file with the foundation."*

A majority of wills are still written and executed using professional legal services, i.e., a trusts and estates attorney or one who practices family law. Trusts, established while alive or through a will provision, certainly should be planned and executed through a qualified attorney, as they are highly flexible, state-specific, and have a long list of uses and functions (including **charitable remainder trusts** and **charitable lead trusts**).

### Beneficiary of a retirement plan

Another popular option, an alternative to writing a will or trust provision, is to name **University of Maryland Baltimore Foundation [31-1678679]** a percentage beneficiary of an IRA, 401(k), 403(b), TSP, or other qualified retirement plan. While most people name spouses, family members, or other individuals as beneficiaries of their retirement plans and IRAs (or name no beneficiary at all), others name charitable organizations as part or whole beneficiaries of these funds. What are the reasons to do this?

From a tax planning perspective, IRA assets are among the most expensive to inherit or direct to one's own estate, because the *entire* amount is subject to income tax upon distribution, and most non-spousal inheritors must withdraw refunds within 10 years. On the other hand, assets such as stocks, businesses, real estate, and personal property like artwork are inherited at a stepped-up basis and not subject to any income tax due to the transfer. Thus, if the donor were to give IRA assets to charities and the other assets to heirs, they likely will pass on 100 percent of the value of their estate without any reduction from taxes.

The advantages of executing an estate gift through retirement plan designation include: 1) ease of execution via single page or online form; 2) revocability by either changing the beneficiary form or spending down the account for lifetime needs; 3) using assets that are otherwise 100 percent taxable to any recipient — including the donor's own estate — but are not taxable if given to and sold by charity.

The disadvantages are minor, but still important to consider. First, beneficiary forms do not allow any detail beyond the name of the foundation, so if the donor wishes to direct the gift to a specific fund or purpose, they should write a letter or sign an agreement stating those wishes. Second, beneficiary forms do not allow a fixed dollar amount, so the value of the gift is both unpredictable and fluctuating due to market forces or the account being spent down for life needs. Finally, you should inform the charities you have named on your retirement plans so that they can proactively contact the administrator and collect your gift in the future.

### Other methods

Beyond a will/trust provision or naming charity beneficiary, less common but viable ways to make bequests include: 1) naming a charity beneficiary of a life insurance policy or annuity; 2) titling assets to make charity payable-on-death or successor owners of assets; 3) instructing one's spouse or relative to make a posthumous gift out of inherited assets. Each of these has advantages and disadvantages, so it is important to speak with your professional advisors before making charitable plans. Likewise, we are happy to address questions or direct donors to outside resources where they can find answers.

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*This publication is not intended to provide legal, tax, investment, or other professional advice, and should not be relied upon for such advice. In advance of any charitable gift plan, we encourage you to seek the advice of legal, tax, and investment professionals.*

***Existing bequest provisions  
to UMB or one of its seven schools***

If you have already made provisions for the University of Maryland Baltimore Foundation (UMBF), THANK YOU. We hope you will share your plans with us, without obligation, by completing the Statement of Future Gift below.

Documenting your plans ensures that your exact wishes are understood and met by UMBF, and it allows us to keep you apprised of any future developments that may influence or impact your intention. The UMB Office of Planned Giving confidentially and without obligation can review or provide specific language and answers from UMBF for specific wishes or designations you desire for how your gift is used. By engaging the Office of Planned Giving you are in no way entering into a legally binding or irrevocable gift agreement, so you retain full flexibility to change your plans if your circumstances change.

If you are comfortable doing so, we encourage you to complete the optional Statement of Future Gift so that we can honor and recognize your generosity during your lifetime, and include your estimate of your gift's current value in the fundraising totals and reports for the school or department you are supporting. It inspires others to follow in your footsteps, and demonstrates the philanthropic support behind the program even though the gift will not occur until the future.

A gift to the University through your estate plan qualifies you as a member of the UMB Legacy Circle, created to recognize and thank donors whose foresight is building the future of UMB.

Statement of Future Gift

In order to support the educational mission of UMB, I/we have included as part of my/our estate plan(s) to the **University of Maryland Baltimore Foundation** in the following form (select one):

- Provision in a [ ] will or [ ] living trust that is expressed as a [ ] % or [ ] specific dollar amount or asset
- Beneficiary designation of a [ ] retirement account or [ ] life insurance policy
- Beneficiary of a [ ] charitable remainder trust or [ ] charitable lead trust

For the following use (select all that apply):

- Unrestricted or general educational purposes
- School of \_\_\_\_\_
- Specific department: \_\_\_\_\_
- Existing UMBF fund or account: \_\_\_\_\_
- To establish a new account or fund at UMBF with specific uses or purposes
- Other designation or restriction (please state exact wording):  
\_\_\_\_\_  
\_\_\_\_\_
- You may include me/us in the UMB Legacy Circle.  
For recognition, please list my/our name(s) as:  
\_\_\_\_\_  
\_\_\_\_\_, or:
- I/we wish to remain anonymous
- The estimated current value of my/our future gift to UMBF is:  
\$ \_\_\_\_\_
- [optional] If I/we make any significant change(s) to this provision, I/we agree to notify the Office of Planned Giving and/or the University. Attached is a copy of the relevant provision of my/our will, trust, or beneficiary designation form.

Name: \_\_\_\_\_

Date of birth: \_\_\_\_\_

Signature and date: \_\_\_\_\_

Name: \_\_\_\_\_

Date of birth: \_\_\_\_\_

Signature and date: \_\_\_\_\_

THE **UMB OFFICE OF PLANNED GIVING** HELPS DONORS MAXIMIZE THEIR GIVING TO THE UNIVERSITY OF MARYLAND SCHOOLS OF MEDICINE, LAW, DENTISTRY, PHARMACY, NURSING, GRADUATE SCHOOL, AND SOCIAL WORK, THROUGH TAX-EFFICIENT STRATEGIES AND OTHER OPTIONS BENEFICIAL TO THE DONOR. PLEASE VISIT [www.umaryland.edu/plannedgiving](http://www.umaryland.edu/plannedgiving) OR CONTACT THE OFFICE OF PLANNED GIVING AT 877-706-4406 OR [plannedgiving@umaryland.edu](mailto:plannedgiving@umaryland.edu).