

BEQUESTS AND CHARITABLE DESIGNATIONS



Arranging your estate plans involves some of the most consequential, personal, and emotional decisions of your lifetime. While family often comes first, many alumni and friends also choose to include a bequest or beneficiary designation gift to the University of Maryland, Baltimore (UMB) or one of its seven schools via the University of Maryland Baltimore Foundation, Inc. Your beneficiaries, both human and charitable, carry on your legacy through your written and executed estate plans.

People who include charities in their estate plans typically do so in one of two ways: by making a **bequest**, which is a provision in a will or living trust describing the gift, or by naming the charities as **beneficiaries** of individual retirement accounts (IRAs), other retirement plans, brokerage or bank accounts, or insurance policies. The choice of the method depends on various factors such as family situation, tax considerations, the size of the gift, the stage of the estate planning process, the types of assets owned, and the recommendations of professional advisors.

Why Estate Gifts?

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

- Bequests and beneficiary designation gifts happen only after all lifetime needs, and often the needs of loved ones, are met, ensuring that the assets remain available to the donor and the family. Bequests often are made from residuary funds, which are what remains after the specific amounts and assets have been distributed to specific family members.
- These gifts are revocable, allowing the donor to change or alter the gift if their circumstances change.
- While there is no minimum amount required for a bequest, they are among the largest gifts ever made and frequently are used to establish permanent endowments such as scholarships, professorships, and research funds.

For some, bequests are symbolically important, creating an eternal legacy to institutions and causes that impacted their lives. For others, it is the most practical way to make significant gifts when they can most afford to share their wealth without jeopardizing their own or their loved ones' lifetime needs and desires. Regardless of the reason, naming a charitable organization among your "heirs" is a significant decision. Fortunately, donors 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, Inc., for the benefit of a specific school, program, or fund, 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 donor’s wishes. Typical bequest provisions designate a fixed dollar amount or a fixed percentage of the estate residuary to the University of Maryland Baltimore Foundation, Inc., with further designation to a particular school, department, program, or fund. The general suggested language is:

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

If the bequest establishes an endowed fund (current minimum: \$25,000), we request that 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, detailing decisions about the name, use of funds, and other specifics. 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.”*

Most wills are written and executed using professional legal services such as a trust and estates attorney or a family law practitioner. Trusts, whether established during one’s lifetime or through a will provision, should be planned and executed through a qualified lawyer, as they are highly flexible, state-specific, and serve a variety of purposes, including charitable remainder trusts and charitable lead trusts.

Beneficiary of a Retirement Plan

An alternative to writing a will or trust provision is to name **University of Maryland, Baltimore Foundation, Inc. [31-1678679]** as a percentage beneficiary of an IRA or a 401(k), 403(b), Thrift Savings Plan, or other qualified retirement plan; brokerage and bank accounts; or an insurance policy or commercial annuity. While most people name spouses, family members, or other individuals as beneficiaries of retirement plans, others name charitable organizations. What are the reasons to do this?

From a tax planning perspective, IRA and retirement plan assets (except for Roth IRAs) are among the most expensive to inherit or direct to one’s own estate, as the entire amount is subject to

income tax upon distribution, and most non-spousal inheritors must withdraw refunds within 10 years. In contrast, assets such as stocks, businesses, real estate, and personal property such as artwork are inherited at a stepped-up basis and not subject to income tax due to the transfer. Therefore, if a donor gives retirement plan assets to charities and other assets to heirs, they likely can 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:

- Ease of execution via single page or online form
- Revocability by changing the beneficiary form or spending down the account for lifetime needs
- Using assets that are otherwise 100 percent taxable to any recipient — including the donor’s own estate — but are not taxable if given to charity

The disadvantages are minor but important to consider. First, beneficiary forms do not allow any detail beyond the name of the foundation. 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, making the value of the gift unpredictable and subject to market forces or the account depletion for lifetime needs. Finally, it is advisable to inform the charities named on your retirement plans so they can proactively contact the administrator and collect your gift in the future.

Other Methods

Beyond a will/trust provision or naming a charity as beneficiary, there are less-common but viable ways to make bequests, including:

1. Naming a charity beneficiary of a life insurance policy or annuity
2. Titling assets to make a charity the payable-on-death beneficiary or assigning successor owners to assets
3. Instructing one’s spouse or relative to make a posthumous gift out of inherited assets

Each option has advantages and disadvantages, so it is important to consult with your professional advisors before making charitable plans. We also are happy to address any questions or direct donors to outside resources where they can find answers.

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 already have made provisions for the University of Maryland Baltimore Foundation, Inc. (UMBF), THANK YOU. We hope that 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 developments that might influence or impact your intentions. The UMB Office of Gift Planning can confidentially and without obligation review or provide specific language and answers from UMBF about your specific wishes or designations for how your gift is used. Engaging the Office of Gift Planning does not create 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 we can honor and recognize your generosity during your lifetime, and include your estimate of your gift's current value in the fundraising totals 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 Society, which was created to recognize and thank donors whose foresight is building a brighter future for UMB.

Statement of Future Gift

To support the educational mission of UMB, I/we have included the **University of Maryland Baltimore Foundation, Inc.**, as part of my/our estate plan(s) 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 or center:

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 can include me/us in the UMB Legacy Society. 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 Gift Planning 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

Date:

Name:

Date of birth:

Signature

Date:

THE **UMB OFFICE OF GIFT PLANNING** HELPS DONORS MAXIMIZE THEIR GIVING TO THE UNIVERSITY OF MARYLAND SCHOOLS OF DENTISTRY, GRADUATE STUDIES, LAW, MEDICINE, NURSING, PHARMACY, AND SOCIAL WORK THROUGH TAX-EFFICIENT STRATEGIES AND OTHER OPTIONS BENEFICIAL TO THE DONOR. PLEASE VISIT umaryland.edu/gift-planning OR CONTACT THE OFFICE OF GIFT PLANNING AT 877-706-4406 OR giftplanning@umaryland.edu.