
WILLS AND WEALTH PLANNING:

Tools for Local Council

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Chairman of Major Gifts & Endowment
Northeast Region, BSA

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BSA Foundation



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Local Council Wills & Bequests

- The diamonds are in our backyards.
 - Our volunteers care about Scouting in their area
 - They need to trust that their wishes will be honored
 - Their bequests may be modest to Scouting, but major to them
 - They have concerns about potential mergers affecting their gifts



Model Seminars

- Wealth Planning Seminar
 - Colin French
BSA Foundation
 - Handout
 - Websites
- Wills Seminar
 - Handout
 - Websites

www.bsafoundation.org

www.scouting.org/financeimpact



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Estate Concerns

What Worries You?

- Probate Costs
- Estate Tax
- Accidental Disinheritance
- Capital Gains Tax
- Unforeseen Expenses



Estate Distribution

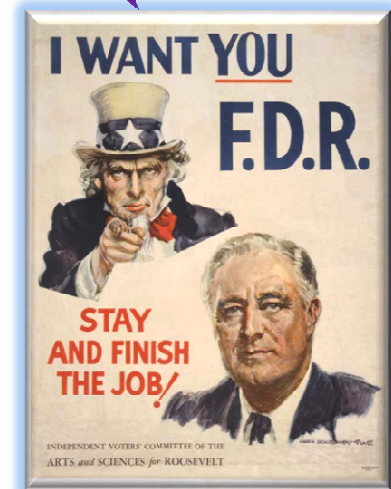
Only Three Places



Family



Charity



Government



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Phases of Life Study

Avg. amount of time spent by Americans on:

- Estate Accumulation = 40 Years
- Estate Conservation = 10 Years
- Estate Distribution = 2 Hours



The Estate Plan Quandary

- Is Your Estate Planned and Ready???
 - The answer is YES!!
 - Your state of residence has already taken care of it
- What are you going to do about it?



THREE NON-CHARITABLE TAX STRATEGIES



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Three Critical Non-Charitable Tax Strategies

1. THE ANNUAL EXCLUSION

\$13,000 a year to anyone, per person, each year: no gift tax
-- Spouse can give another \$13,000 to anyone/person/year

E.g. Couple with 2 children, 4 grandchildren can transfer
\$156,000/year to them, tax free – outright or in trust

(\$13,000 x 6 for H = \$13,000 x 6 for W)



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Three Critical Non-Charitable Tax Strategies

2. THE MARITAL EXCLUSION

Unlimited tax free transfers between spouses
\$20 Million? \$6 Billion?

No Problem – NO TAX.

(Except for non-U.S. citizen spouses)



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Three Critical Non-Charitable Tax Strategies

3. THE LIFETIME EXCLUSION

On top of marital deduction and annual exclusion, another \$5,120,000 may be given, tax free, to anyone, during life or at death

If first-to-die doesn't use theirs, what's left may be distributed by surviving spouse

WARNING: This may drop to \$1,000,000 in 2013!



And, Of Course, There's The ...

CHARITABLE TAX "EXCLUSION"

Unlimited for estates – lifetime gifts limited

You usually must itemize deductions to use them



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BEQUEST PLANNING AND CHARITABLE GIFTS



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WHERE THERE'S A WILL ...

- 60% of American adults have wills
 - This means 4 out of 10 *don't*
- Even with a will: *Is it up to date?*
 - What about Scouting and others?
 - Only 8% of wills included a charity in it



Without A Current Will ...

- COSTLY
- STATE picks beneficiaries
- COURT picks administrator/executor, and determines special needs
- NO distributions to charity
- NO tax savings



Three Main Types of Bequests

SPECIFIC BEQUEST

“I hereby leave to the XY Council 100 shares of Google stock and my 15 acre ranch home in Harris, Texas.”

“In the event of a council merger or consolidation, I would like my gift restricted to use in the district or area previously served by the XY Council.”



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Three Main Types of Bequests

CONTINGENT BEQUEST

“I hereby leave to my nephew, Johnny, 100 shares of Google stock and my 15 acre ranch home in Harris, Texas. Should Johnny predecease me, I leave these items to the XY Council.”

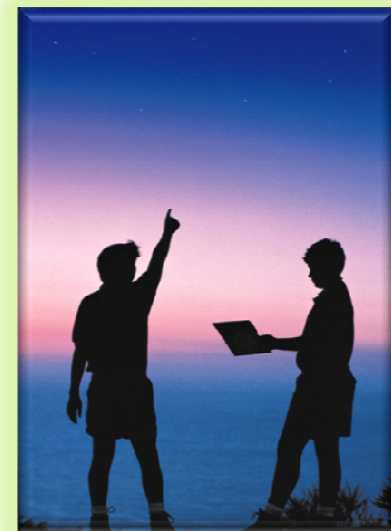


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Three Main Types of Bequests

PERCENTAGE BEQUEST

“I hereby leave to the XY Council 10% of my residuary estate, after all specific bequests and contingencies are distributed and met.”



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How to Add/Change a Bequest

Codicil – an addition to an existing will

- Only needs to be one paragraph/page
- Usually do NOT have to re-do the whole will



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BEQUEST ALTERNATIVES: INSURANCE AND IRA'S



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LIFE INSURANCE GIFTS

- Tax Deduction for naming the council beneficiary – NO
- Tax deduction for naming council beneficiary and owner – YES
- Tax deduction for premium payments if policy owned by council – YES

Donors often use tax savings from previous gifts to buy insurance and “replace” those gifts in their estate



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IRAs – What to Do?

- IRA's are *Retirement* Plans – not Inheritance Plans
- Can be hit with Income Taxes *and* Estate Taxes
- Often the worst thing you can give
- Talk about bad heir days!!



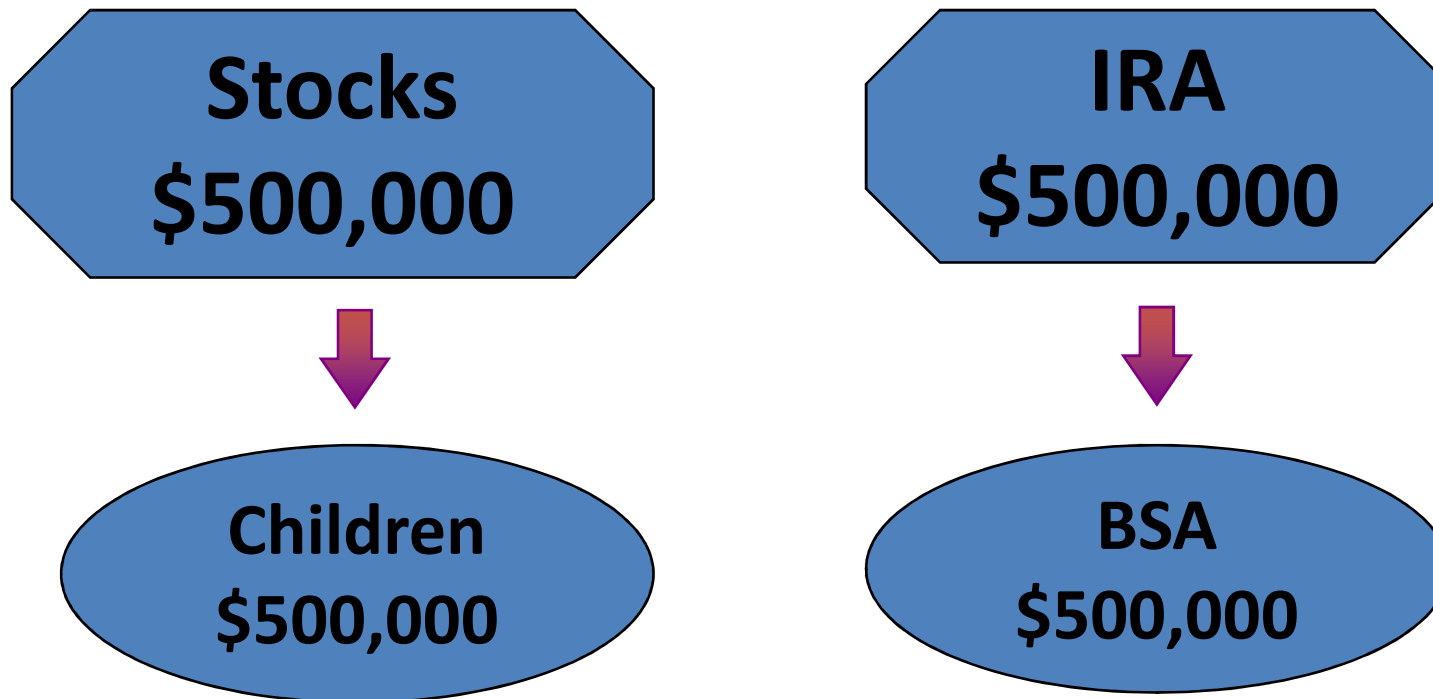
Who Gets Which Asset?

Jane has a large estate, including \$500,000 of Apple stock, and an IRA worth \$500,000. She wants one to go to her children, the other one to her council.

- Who should get the stocks?
- Who should get the IRA?



IRA To Charity – Good



- IRA to kids may be double taxed
- IRA to BSA saves taxes (council is tax exempt)



ALTERNATIVES TO OUTRIGHT GIFTS OF CASH



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HOW MUCH CAN I DEDUCT?

If you itemize:

Income tax charitable deduction = Fair Market Value
at time of gift, if owned for more than one year

Limited to maximum of 50% AGI each year (30% for non-cash gifts), but five-year carryover for deductions



GIFTS OF STOCKS

- An excellent way to make gifts and leverage a tax deduction
- Gifts of appreciated stocks avoids CG taxes
 - Gift of pre-tax dollars, not after-tax as with cash
- If owned for more than one year: deduction = *fair market value*



GIFTS OF STOCK

Example: Richard considers a gift of \$100,000.
Should he:

- a) sell stock and give proceeds;
- b) write a personal check;
- c) give stock with a \$10,000 basis.



GIFTS OF STOCKS

1. SELL STOCK, GIVE PROCEEDS

- Tax Owed By Donor \$13,500
- *Net* Deduction/Gift \$86,500
- CG Tax Avoided 0

2. CHECK

- Tax Owed By Donor 0
- Tax Deduction/Gift \$100,000 (after-tax \$\$)
- CG Tax Avoided 0

3. GIVE STOCK

- Tax Owed by Donor 0
- Tax Deduction/Gift \$100,000 (pre-tax \$\$)
- CG Tax *Avoided* \$13,500



GIFTS OF STOCK OPTIONS

No deduction when stock option is given

- Deduction on exercise of option
- Deduction = difference between FMV and exercise price

Great, painless way to make a gift



REAL ESTATE GIFTS

- Also an excellent way to make gifts
- Same tax benefits as for stock gifts
 - Deductible at fair market value if held for more than one year
- Gifts of mortgaged property not advised for donor OR council



REAL ESTATE GIFTS BEST FOR ...

- Vacation property, second home
- Donors w/out children
- Donors w/children who don't want the property
- Vacant, highly appreciated real estate
- Property contiguous to current council property



LIFE ESTATE GIFTS

- Current transfer to the council of a home, vacation home, or other residence
- BUT Donor continues to use this property for life (deed restriction to possess it)
- AND Donor gets income tax deduction now
= present value of what council eventually gets



BEYOND OUTRIGHT GIFTS OF CASH



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DONOR ADVISED FUNDS

- Maximum deduction now, direct gifts later
- “One Stop Philanthropy”
 - To meet multiple charitable objectives for donor and/or family



DONOR ADVISED FUNDS

- Donor makes gift to BSA Foundation to establish Fund.
 - E.g. “Bill Jones Family Philanthropic Fund”
- Donor recommends charities to receive gifts from the Advised Fund.



DONOR ADVISED FUNDS

- Advised Fund distributions may benefit almost any charity
- Not limited to fund income – may distribute any or all of fund at any time
- As donor interests or objectives change, donor may request different charities, or add to the fund.



DONOR ADVISED FUNDS

- May give other family members the right to recommend beneficiaries.
- Advisory period usually lasts for the lifetime of the original donor (or donors).
- Donor may advise on final distribution of funds at the end of the advisory period.



DONOR ADVISED FUNDS

- These are great alternatives to Family Foundations
 - Same goals, fewer costs and filings, less administration, compliance, taxes
- Families work together to develop shared values and participate in philanthropy
- Donor Advised Funds from the BSA Foundation may be better for you than those offered by community foundations



INCOME CHALLENGE

- You have stock, but aren't sure you want to give it away now
- Dividends often 2% or less, but you'd like more income

What Can You Do?



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SOLUTION

BSA Gift Annuity

- Guaranteed payments for life
- Rates based on age – will not change
- Income tax deduction, no estate tax
- Most payments part tax-free
- No commissions (unlike commercial annuities)

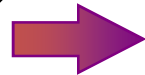


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BSA Gift Annuity

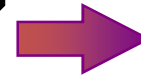
John Jones 70

**Property
\$25,000
(\$10,000 Basis)**



5.1% Annuity

**Property
\$25,000**



**Bypass \$15,000 gain
Tax deduction = \$8,955**

One Life



**Scouting
\$25,000**

**Payout \$1,275
Tax-free part = \$403
Effective rate 6.85%**

**After one life,
goes to council**



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Gift Annuity Rates (2012)

<u>AGE</u>	<u>PAYOUT RATE</u>
60	4.4%
70	5.1%
80	6.8%
85	7.8%



DEFERRED GIFT ANNUITIES

- May delay for months or years
- Retirement
 - Donor, age 59, buys one/ per year for 5 years
 - All start paying when he retires (65?)
 - When he most needs deductions and income
- Unlike IRAs, no limits on how much/many



Moving Toward A “Values-Based” Planning Process



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The Modern Philanthropist

“I want my children to have enough to do anything, but not enough to do nothing.”

Warren Buffett



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Why is Values Based Planning Important?

65% of all family fortunes are lost by the end of the second generation

90% of all family fortunes are lost by the end of the third generation



Values Based Planning

- Not just about documents to transfer valuables
- Focus on transfer of the family's true wealth – identifying and sharing its common traditions, morals, and virtues
- In an age of huge fortunes, “I leave everything to my family” no longer makes sense



A Shift in Estate Planning Philosophy

“Traditional” Estate Planning

- Keep what you *can*
- Pass to heirs as much as possible
- Focus on documents

The Modern Philanthropist

- Keep what *you need*
- Pass to heirs what you deem *appropriate*
- Focus on outcomes and control



MORE INFORMATION?

- www.bsagiftplan.org
 - Do personal calculations
 - Read more about gifts
- www.bsafoundation.org
 - Electronic version of Confidential Record
- Your family and own advisors!



THANK YOU!



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