SILICON VALLEY JEWISH COMMUNITY

LEGACY PROJECT

# How can you leave a Legacy Gift to the Silicon Valley Jewish Community?

There are many ways to leave a legacy gift to your synagogue or the other Jewish agencies that have made a difference in your life and the lives of your family. While some of these legacy strategies will require assistance from your estate planning attorney, many do not. This list may help you identify a strategy that enables you to insure that your children and grandchildren will enjoy the same (or better) support from the institutions that played an important role for you.

## RETIREMENT ACCOUNTS AND TAX-DEFERRED ANNUITIES

Designating an organization (or several organizations) as a beneficiary on a retirement plan (such as a 401(k), IRA or pension plan) or a tax-deferred annuity is a simple way to leave a legacy gift without needing help from your attorney. Most retirement accounts as well as a portion of tax-deferred annuities are tax-deferred during the plan participant's lifetime and will be subject to income tax when inherited by a family member or friend. In addition, high net worth individuals whose estates will be subject to the now 40% Federal estate tax rate may see far less than half of their retirement accounts actually end up in the hands of their family. Instead, the government ends up with the majority of these funds. To redirect all or a portion of a retirement account or annuity to a synagogue or agency you simply need to fill out a new beneficiary designation form and allocate the desired portion to these organizations. This could be the most tax efficient way for you to leave a legacy gift.

## LIFE INSURANCE POLICIES

Life insurance is a well known tool to deliver cash for needs that surface when someone dies. Life insurance is frequently used to replace all or a portion of someone's income for their spouse or family when they die. Similarly, life insurance can be a very cost-effective tool for funding a legacy gift. Perhaps you own an old cash value policy, but the original family need for this policy no longer exists. Donating the policy while still alive could create a current income tax deduction while also helping create a legacy gift at your death. Perhaps you want to leave a legacy gift, but don't have sufficient assets to do so. Your life insurance policies may provide the least costly solution for your legacy gift. Call your insurance agent or contact the insurance company directly for a Change of Beneficiary form so you allocate the desired portion for your legacy gift(s).

## PAYABLE ON DEATH (POD) DESIGNATIONS

Most financial accounts (such as, bank accounts, brokerage accounts or mutual funds) will allow the account owner(s) designate a "payable on death" (POD) beneficiary. A POD beneficiary can be a family member or friend and the POD designation will usually avoid probate for transfer to the beneficiary. POD designations are also available for legacy gifts. You can designate a percentage or a specific amount from your account be payable as a legacy gift. If you want to investigate the availability of POD for one of your accounts, consult with your financial advisor or simply ask the institution holding your funds. This is a very simple, low cost way to leave a legacy gift.

## WILLS AND TRUSTS

Many people want to leave a specific dollar amount as a legacy gift or perhaps a percentage of their estate. Specific bequests or percentages of an estate can be orchestrated through a will or a revocable living trust. Wills and trusts are the bailiwick of estate planning attorneys, so you will need an attorney to draft or amend a will or trust to include legacy gifts. Although designating legacy gifts via clauses in a will or trust (testamentary giving) may be more complex or costly to implement, it remains a very popular method for leaving a legacy gift. Discuss this method of legacy giving with your financial advisors, particularly your estate planning attorney.

## CHARITABLE REMAINDER TRUSTS AND GIFT ANNUITIES

More complicated tools to fund legacy gifts are charitable remainder trusts (CRTs) and charitable gift annuities. This strategy usually involves a donation of appreciated property or cash into a CRT or gift annuity. The property is usually sold by the trust and reinvested without paying any tax at the time of the sale. The trust then pays an income to the trust grantors for their lifetime with the funds remaining at the death of the trust grantors going to the named charities. These strategies have many positive features and can accomplish several objectives for a donor. However, there are also downsides to be considered. A donor who wants to explore these strategies needs to consult with financial advisors who can guide them through the pros and cons of these plans. An attorney will be required to draw up the CRT document.

## PHILANTHROPIC FUNDS

Some people may want to build a legacy over time by setting aside funds on a systematic basis. Federation (and some of the other local Jewish agencies) offer "savings plans" known as a "philanthropic funds" as a means to fund legacy gifts. If putting aside legacy funds on a monthly, quarterly or annual basis appeals to a legacy donor, we recommend you ask Federation for the rules governing philanthropic fund giving.