



Bequests – A Way to Give



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A popular and simple form of planned giving is a bequest. A bequest is the disposition of personal or real property through an individual's will. It is a way for people to honor loved ones and organizations that they feel strongly about with a gift after they are gone.

There are several types of bequests:

Cash Bequest

In a cash bequest, a person designates a stated sum of money to an organization or individual in their will or trust.

Specific Bequest

A specific bequest designates a particular item of personal or real property to a beneficiary. Examples of personal property include: artwork, jewelry, cars, stocks and bonds. Examples of real property are commercial or residential real estate – raw or vacant.

Residual Bequest

This form of bequest designates where the remainder or a portion of your estate will go after all other bequests, debts, taxes and administrative costs have been made. This bequest is popular because it allows you to name a foundation or charity after you have provided for your loved ones.

Contingent Bequest

A contingent bequest provides that a bequest is made conditional upon a certain event happening prior to the distribution to the contingent beneficiary. For example, a contingent bequest may be "I give my estate to my nephew. If my nephew predeceases me, then I give the remainder of my estate to SOCH Foundation."

What steps do you need to take to include a bequest in your will or trust?

- First, advise your attorney, accountant and financial advisor of your wishes. Your attorney can incorporate your charitable intentions into your estate and trust documents. It is important that your professional advisors are on the same page with respect to your wishes.
- Next, you may wish to advise a charitable organization of your bequest so that you can be recognized for your benevolence during your lifetime and make the organization aware of your gift.
- Make a list of your assets and how they are owned or titled to ensure that they can properly be included as probate assets upon your death.
- Finally, remember to update your will for any changes in your estate or wishes. Make sure that the appropriate parties know where to find your will and your password if it is saved online.

It is important to highlight that charitable bequests are often used as part of the estate planning process to help minimize the amount of estate taxes that a taxable estate may be required to pay. Keep in mind that in order to take the charitable deduction, your will should include clear language that specifically states the name of the charitable recipient and the purpose of the gift. If the charitable recipient is not deemed to be exclusively charitable, a deduction for the charitable bequest may be disallowed.

You could also choose to establish a private foundation or charitable trust. A private foundation is an effective way for wealthy families to create a legacy of philanthropy. The advantages of a private foundation include the creation of your own charity that is governed by a private board which usually includes family members who are hand selected to carry out your wishes. A private foundation provides freedom and spontaneity in gifting giving because the donor and the foundation's board have absolute control over which charities will benefit from the foundation. However, private foundations are expensive to establish and administer, legal counsel must be retained to create the foundation, and detailed reporting and allocation of expenditures are required. There is also a 2% excise tax on investment income in addition to other financial disadvantages that can affect your ultimate gift giving ability.

A charitable trust is a trust established for charitable purposes. Charitable trusts are exempt from the rules of perpetuities and may continue indefinitely. In addition, if the original intentions of the charitable trust can not be fulfilled they can be replaced by new and more appropriate charitable purposes. Since charitable trusts are formed for the benefit of a charity they are not voided if that charity or stated beneficiary changes. Usually charitable trusts are established for very large gifts and are typically designed to save estate or gift taxes.

About the Author

Deborah R. Mathis, CPA, CHBC, is a Director with the Healthcare Services Group of Cowan, Guteski & Co., P.A. As a Certified Healthcare Business Consultant ("CHBC"), Ms. Mathis is uniquely qualified in both the financial and operational facets of medical practices. She is recognized in the healthcare industry as a consultant with a proven track record of helping physicians keep more of their hard-earned money. Her areas of expertise include revenue enhancement strategies, practice vital signs, compensation formulas, physician buy-sell agreements and practice valuations. She can be contacted at 732-349-6880 ext. 114 or dmathis@cowanguteski.com.

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