



Wills and Living Trusts: Planning Considerations Gifts Provided through Estates

Many members and friends have provided for support of The First Church of Christ, Scientist through a will or living trust. Periodically reviewing your estate plan can be helpful to make sure it still reflects how you wish your estate to be distributed. You can add charitable bequests when you make or amend your will.

Many of the significant contributions received by the Church have come from wills, or through living trusts and other beneficiary designations. Why do so many find it appealing to make significant gifts through their estate plans?

- Wise provision for oneself and loved ones during lifetime
- Preference to retain control of one's assets during lifetime
- Desire to leave a legacy to support the ongoing activities of The Mother Church

Please review our standard bequest language when considering adding bequests to the Church in your estate plan. A copy of our standard bequest language is provided as page 7 of this information sheet.

Planning Gifts from Estate Plans

Bequests, which are gifts from estate plans, require some planning and forethought, particularly if you are subject to federal estate taxes.

Federal estate tax deductions. Cash and assets passing to the Church from a donor generally will qualify for a 100% federal estate tax charitable deduction and for a deduction or exemption from state inheritance taxes. The gift property must be included in the donor's gross estate, and pass under instructions from the donor. Estate tax charitable deductions are available only for amounts actually passing to the Church. Estate taxes and expenses recovered from a charitable bequest will reduce the amount the Church receives and the available deduction. Donors should direct that no estate taxes or costs of administration will be payable from charitable bequests or distributions.

Income tax-burdened assets. Where possible, donors should leave the Church property that would cause tax problems to other beneficiaries. That generally means income in respect of a decedent (IRD) – items of income earned before death but paid to one's estate after death. Such income is includible both in the taxpayer's gross estate and in the estate's income.



The Church is a tax-exempt organization and therefore able to retain every dollar of such tax-burdened bequests. Furthermore, a bequest of IRD can create both an estate tax charitable deduction and an income tax charitable deduction for the estate. It's important, from a tax standpoint, for a donor's will to make specific bequests of items of IRD to the Church, or to have IRD assets pass to the Church as a residuary bequest. Alternatively, a donor can change the death beneficiary of a pension plan or IRA to a qualified charity. Satisfying cash bequests to the Church out of IRD items will generate an estate tax charitable deduction, but the estate will have to include the IRD in its income. Examples of IRD items include:

- interest on United States savings bonds
- accounts receivable of a cash-basis individual
- renewal commissions of insurance agents
- deferred compensation, last salary check, bonuses and stock options
- accrued royalties under a patent license
- a deceased partner's distributive share of partnership income up to date of death
- payments on installment obligations
- death benefits from IRAs and other retirement accounts

Property unsuitable for lifetime giving. Certain kinds of property have poor income tax results if contributed to the Church during life. Bequests of such property, on the other hand, can be 100% deductible for estate tax purposes.

- *Ordinary income property* – Several years ago, an artist living in the southwest burned about \$1 million worth of his paintings when he found they would be subject to federal estate tax. Had he given some thought to the matter, he might have found it better to bequeath the paintings to a museum, university or other charitable institution. If the artist had given the paintings to charity during life, his charitable contribution would have been limited under income tax law to his cost basis – what he paid for paint and canvas. Paintings in the hands of the artist are one kind of “ordinary income property,” defined as property the sale of which would produce any ordinary income or short-term capital gain. No such reduction applies in the estate tax charitable deduction; thus the artist's estate would have been allowed a deduction for the full fair market value of the paintings had he bequeathed them to charity.
- *Collectibles* – If an individual makes a lifetime gift to the Church of tangible personal property – for example, a painting, boat or coin collection – and the Church puts the gift to an “unrelated use,” the donor's contribution will be reduced by 100% of any long-term capital



gain present in the property. No reduction occurs, however, with bequests of tangible personal property – another situation where bequests make more sense than lifetime gifts.

Forms of outright charitable bequests. A donor's will can also provide for the Church:

- A specific dollar amount. For example: "I bequeath \$25,000 to The First Church of Christ, Scientist."
- A specified property (specific bequest) – "my 100 shares of stock in XYZ Corporation, evidenced by share certificate number 3345729" – but the bequest will fail if that particular stock was sold during life.
- A particular kind of property (general bequest) – "100 shares of stock in XYZ Corporation." The executor could go out and purchase appropriate shares, if necessary. General bequests can be voided only by "satisfaction" – the estate owner makes an identical gift to the beneficiary during life with the intent to make the bequest inoperative.
- A percentage of the net value of the estate
- The residue of the estate
- A percentage of the residue of the estate

Alternative charitable bequests. In general, every will should contain one or more alternative charitable bequests. These bequests provide flexibility in carrying out an individual's testamentary desires in the face of changing circumstances and unforeseen events.

- *Qualified disclaimer* – If an individual makes a qualified disclaimer of a bequest and the bequest property passes under an alternative bequest to a qualified charity, the decedent's estate will be allowed a deduction for the amount passing to charity. This arrangement allows a family beneficiary who feels he or she does not need all that a testator has provided, to pass along all or part of a bequest to the Church – and also provide tax savings to the estate.
- *Contingent bequests* – Individuals sometimes provide that bequests shall pass to named charities if the primary beneficiary – a friend or family member – should predecease them. For example: "I bequeath \$10,000 to my father, but if he has predeceased me, I direct the \$10,000 be paid to The First Church of Christ, Scientist, in his memory." Another use of contingent charitable bequest clauses is to cover the possibility that all intended beneficiaries pass on before the estate owner. The advantage of naming the Church as one's "ultimate contingent beneficiary" is twofold: (a) the estate owner avoids having his or her estate pass to unintended distant relatives. In unusual cases, the estate could even escheat to the state. Instead, the estate owner has the satisfaction of knowing a worthwhile cause will be benefited; (b) the estate will avoid federal estate taxes, and perhaps state estate



taxes, if everything passes to the Church under a contingent bequest.

Life income bequests. Estate owners can divide benefits of property ownership between charities and private beneficiaries in a variety of ways, with or without a trust. Cash or property can be bequeathed to the Church conditioned on the Church's promise to pay a gift annuity to a named beneficiary. Additionally, a farm or personal residence can be bequeathed to the Church while reserving a life estate for, say, a surviving spouse. All these gifts provide estate tax deductions.

A charitable bequest can be deferred until the death of a beneficiary – that is, a family member can receive lifetime income from the bequest property, remainder to the Church – through charitable remainder trusts that pay either a fixed or variable income for life. These techniques will produce estate tax charitable deductions that reduce taxes and leave family members more secure financially.

A “deferred bequest” can be made through any form of trust if an estate tax charitable deduction is not important. A testamentary charitable lead trust can pay income to the Church temporarily and ultimately pass all trust principal to family beneficiaries, with significant estate tax savings. A spouse's interest in a testamentary charitable remainder trust or pooled income fund will qualify for the unlimited estate tax marital deduction, if properly planned.

A qualified terminable interest property (QTIP) trust with the Church as remainderman can generate a 100% estate tax marital deduction when the first spouse dies and a 100% estate tax charitable deduction at the death of the surviving spouse. This is a simple, flexible arrangement that permits a person to provide for a spouse, yet ultimately pass part or even all of the estate to the Church. A testamentary charitable remainder unitrust for a surviving spouse also might make sense if the survivor wanted to use the trust as a philanthropic vehicle. The spouse could make additional contributions to the unitrust, realize income tax and capital gains tax savings, and provide further benefit to the charitable remainderman.

Revocable Living Trusts. Some of our supporters may have a popular estate planning arrangement known as the revocable living trust. The basic advantages of such a trust are avoidance of probate, privacy, convenience and perhaps protection against disability. People can make both lifetime gifts and transfers at death through their revocable living trusts. Tax benefits are identical to gifts of assets outside the trust. Revocable living trusts can make transfers to charitable remainder trusts at the death of the donor, or can even be designed to transform themselves into qualified charitable remainder trusts at death, providing financial



security for a family member, estate tax savings and deferred benefit for the Church. Virtually any bequest option can be adapted as a clause for a trust distribution.

Testamentary Charitable Trusts and Gift Annuities

People who make estate gifts to The First Church of Christ, Scientist do so out of a spirit of generosity and commitment to the future of the Church. Charitable contributions often can be planned to blend with the goals and objectives donors have for themselves and their families. Loved ones may be provided for through establishing a charitable remainder trust or gift annuity through a will or living trust.

Rather than make a gift by will, living trust or other beneficiary designation to the Church, you may find it advantageous to create a testamentary life income gift for a loved one – a gift annuity or charitable remainder trust – under which a loved one would be provided for during their lifetime, with the assets later benefiting the Church's core activities.

Charitable Remainder Trusts. Basically, these are trusts in which, through your will or living trust, you irrevocably provide for cash, securities or other property to fund a charitable remainder trust with The Mother Church that will provide a specified income for your loved one.

When the trust ends, the property in the trust passes to the Church, much as if you had left it in your will. Depending on how you arrange your estate plan, such a testamentary trust may have beneficial tax consequences.

Charitable remainder trusts come in two varieties: fixed payment (annuity trusts) and variable payment (unitrusts). Both trusts provide payments to one or more individuals for life or a period of years, with principal ultimately passing to the Church.

Testamentary Charitable Gift Annuities. A charitable gift annuity is a contract between you and the Church in which you exchange a gift of cash or securities for a guaranteed, fixed income for a loved one upon your passing. Your will or living trust would provide that a gift annuity be established for the benefit of a loved one.



How to Proceed

If you are interested in providing for the Church in your will or living trust, please e-mail, call or write our office.

We are pleased to advise you:

1. Our correct legal name, for use by your attorney in drafting your bequest
2. Suggested will clauses that enable you to leave a specific dollar amount, a particular asset, a percentage of your estate, the residue of your estate, or language making the Church a contingent beneficiary, should your primary beneficiary die before your or disclaim part or all of a bequest

You will need to share with us:

1. Your desire to designate either The Mother Church Endowment Fund or the General Fund
2. The amount of cash or property you intend to leave to the Church
3. Your wish to reserve lifetime income for a family member from your bequest

Please contact our office if you have included the Church in your estate plan, or if you have any questions about planning a bequest. You can e-mail our office at philanthropy@csp.com, by phone at 1-800-288-7155, extension 3288, or write to us at the address below. We look forward to hearing from you.

The First Church of Christ, Scientist
Philanthropy, P05-10
210 Massachusetts Avenue
Boston, MA 02115-3195 USA



**WILL BEQUEST
FOR
THE MOTHER CHURCH***

I give, devise and bequeath [\$_____ *or* ____% *or* ____% of the rest and residue of my estate *or* the rest and residue of my estate] to The Mother Church, The First Church of Christ, Scientist, 210 Massachusetts Avenue, Boston, Massachusetts, to be placed in The Mother Church Endowment Fund, for the purpose of promoting and extending the religion of Christian Science as taught by Mary Baker Eddy.

**TRUST LANGUAGE
FOR DISTRIBUTION TO
THE MOTHER CHURCH***

Trustee(s) shall distribute [\$_____ *or* ____% *or* ____% of the rest and residue of my estate *or* the rest and residue of my estate] to The Mother Church, The First Church of Christ, Scientist, 210 Massachusetts, Boston, Massachusetts, to be placed in The Mother Church Endowment Fund, for the purpose of promoting and extending the religion of Christian Science as taught by Mary Baker Eddy.

BENEFICIARY DESIGNATIONS*
**(Individual Retirement Accounts, Pension Plans,
Bank Accounts, Life Insurance Policies)**

First, contact your financial institution, plan administrator, or life insurance agent for the procedures required to revise your beneficiary designations on your bank accounts and retirement plan accounts.

Second, enter the following in the space provided on the beneficiary designation forms:

The First Church of Christ, Scientist,
for The Mother Church Endowment Fund*
Office of the Treasurer, P05-10
210 Massachusetts Avenue
Boston, Massachusetts 02115-3195

The Mother Church Tax ID #: 04-2254742

***You may substitute “General Fund” in place of “Endowment Fund” if you desire.**