

LEGACY FUNDS

What to Consider When Opening a Legacy Fund



Having a Legacy Fund at the Foundation is an effective way to ensure that the organizations and causes that you care deeply about will continue to receive support beyond your lifetime. A Legacy Fund can also offer a means to pass on important values to children and grandchildren by setting an example and involving them in charitable giving. A Legacy Fund can also offer a meaningful alternative to leaving everything to your family and taxes. Many people prefer to provide their heirs “enough so they can do something, but not so much that they do nothing” while also reducing estate taxes - both of which may be accomplished through a Legacy Fund.

BEFORE OPENING A LEGACY FUND

Here are some questions to consider before opening a Legacy Fund:

- Which community organizations have been meaningful to you and your family and have touched your lives in important ways? One advantage of working with the Foundation is that you can adjust this list as often as you like without having to make costly revisions to your trust.
- When your estate is realized, would you prefer to give a large sum to the nonprofits on your list immediately or plan for long-term support by creating a permanent endowment – or a combination of the two?
 - » For immediate gifts, what amounts or percentages would you like to assign to each organization and over what period of time?
 - » For permanent endowments, only a portion of the funds will be distributed to nonprofits each year in the name of your fund – currently 4% of the fund’s balance each year. Investment growth over time will allow your fund to give larger and larger grants to the nonprofits you have chosen. In what percentages would you like those gifts to be shared among the nonprofits on your list?
 - » You may also choose to do a combination of both, meaning that after immediate gifts are made, the balance can be used to create a permanent endowment.
- If you prefer to set up a permanent endowment, there are some options to consider:
 - » You can designate which organizations you would like to receive annual support from the fund. If any of them are not viable at the time your estate is settled, the Foundation is obligated to find the next best use of your generosity – meaning that we will direct grants to an organization that closely matches the mission of your original choice.
 - » As an alternative, you can indicate a field of interest that you are passionate about – such as children and youth, animal welfare or the performing arts – and empower the Foundation to conduct competitive grantmaking to select the organizations doing the best work in that area of interest. In this way, you are not challenged with the task of predicting which organizations will be the most effective in addressing community needs of the future.
 - » If you want to have an impact on the community that you love, but don’t know what the critical needs of the future will be, choosing the Foundation’s *Community Impact Fund* as the recipient of gifts from your Legacy Fund will ensure that you are supporting the community’s greatest needs of the future. Your gifts will be combined with those of other generous people to have the greatest impact possible.
 - » You recognize that the Foundation is building permanent funds for this community and you want to make sure that our work continues over the long-term. Choosing the *Friends of the Foundation Endowment* to receive gifts from your Legacy Fund will do just that – support the Foundation’s work to ensure a permanent and growing source of funds for community progress.

OPENING A LEGACY FUND

Now that you have decided which organizations or causes you plan to support through your Legacy Fund, there are a few more decisions to make:

- What asset, fixed amount, or percentage of your estate do you plan to give to open your Legacy Fund? This is an important consideration, and we encourage you to talk through this important decision with your financial/legal advisors in order to make sure you have considered all options. The suggested bequest language is very simple:

“I, [Name], of [City, State, Zip Code], give [Particular Asset; Fixed Dollar Amount; Percentage of the Estate; or Description of Property] to [Your Legacy Fund Name] at the Sacramento Region Community Foundation.”

If you have a tax-deferred retirement plan, you may want to name your Legacy Fund as the beneficiary – it’s the only way to avoid paying income taxes on distributions. Otherwise, retirement assets left to your heirs could be eroded by income tax, so instead of supporting your community, you will be “donating” to the IRS.

Your life insurance policy can become a charitable asset when you name your Legacy Fund as the beneficiary of all or a portion of the policy’s death benefit. It’s a simple and generous way to pass on your values.

- Do you want to involve your children and/or grandchildren in making charitable decisions in the future? If so, you can name them as Fund Advisors, empowering them to make gifts from your fund – either fully or according to guidelines that you have established.
- Finally, what will you name your fund? The answer to that question will depend on whether you want your family’s name to be associated with gifts from your fund or if you prefer anonymity. For ideas on naming your fund, please visit www.sacregcf.org to see fund names other families have used.