Considerations When Establishing a Legacy Fund

A Legacy Fund is an effective way to ensure that the causes you care deeply about will continue to receive support beyond your lifetime. We are honored to work with you and your financial advisor to establish a Legacy Fund that meets your philanthropic goals. When opening a Legacy Fund, consider the following:

Which organizations have been meaningful to you? These can populate the list of organizations that receive grants made from your Legacy Fund, once your estate is realized. One advantage of working with the Foundation to facilitate your legacy giving 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, plan for long-term support by creating a permanent endowment, or a combination of the two? If you’d like to make immediate gifts, consider what amounts or percentages you’d 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 you have chosen each year, and investment growth over time will allow your fund to make larger and larger grants. Of that portion, consider what percentages you would like those gifts to be shared among the nonprofits on your list.

If you establish a permanent endowment, and the organizations you’ve chosen to support become inviable, where should we direct future grants? If an organization you’ve chosen to support becomes inviable, our policy is 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 one alternative to this approach, you can indicate a field of interest that you are passionate about (such as animal welfare or the performing arts) and empower our team to conduct a competitive grantmaking process to select and make grants from your fund to the organizations doing the best work in that field.

As two additional options, you can choose to support the Foundation’s grantmaking addressing the region’s greatest needs or support the Foundation’s operations to ensure our work continues over the long-term.

What asset, fixed amount, or percentage of your estate do you plan to give to your Legacy Fund? This is an important consideration, and we encourage you to talk through this decision with your financial advisors to ensure you consider all options. The bequest language we suggest adding to your estate plan is 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.”

There are easy and generous ways to give to your Legacy Fund. If you have a tax-deferred retirement plan, you may want to name your Legacy Fund as the beneficiary; this is 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. Another approach to consider is that 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.

Do you want to involve your children and/or grandchildren in making charitable decisions in the future? If you have heirs and would like to name them as Fund Advisors, you can empower them to make grants from your fund — either at their full discretion or according to guidelines that you establish.

Finally, what will you name your fund? The answer to this question is entirely up to you, and can depend on whether you want your name to be associated with gifts from your fund or if you prefer anonymity.