

## **THE LEEDS COMMUNITY FOUNDATION**

### **A LASTING GIFT – GIVING VIA YOUR WILL**

#### **1. WHY LEAVE A CHARITABLE BEQUEST?**

Each year charities benefit from over £1.5 billion from individuals who include a charitable bequest in their will. Leaving a donation in your will really does provide you with a simple but very effective way of ensuring that you can continue to support the local community beyond your own lifetime. This can be your “legacy” to generations that follow. We can help ensure that you carry on providing support to the causes that are closest to you now.

#### **2. WHAT KINDS OF LEGACY AND BEQUEST ARE THERE?**

There are a number of different ways you can leave a gift in your Will including:

- a. Cash (or pecuniary). This means that you leave a specific sum to the Leeds Community Foundation.
- b. Specific. This allows you to pledge a specific item to the Foundation - shares or some other investment, land or other property etc.
- c. Residuary. Once your family and loved ones have been provided for, the remainder or a proportion of your estate is pledged to the Foundation.
- d. Reversionary. This is a useful way of providing for a partner or friend for their lifetime whilst ensuring that the underlying asset passes to the Foundation on their death.

The fifth example is called a “deed of variation” which applies to individuals who have personally benefited from a will. They can choose, within two years of someone’s death, to make a deed of variation in favour of the Leeds Community Foundation. This can be used to help reduce inheritance tax.

#### **3. WHAT IS INHERITANCE TAX?**

Each year the Chancellor of the Exchequer sets the tax threshold for inheritance tax in the Government’s annual budget. When an individual dies the total value of their estate is calculated and, if it is over this tax threshold, it is liable to inheritance tax. For the tax year 2004-5 this threshold is £263,000 and the rate of inheritance tax is 40%.

An estate includes: everything owned in your name; the share of anything owned jointly; gifts from which you keep back some benefit, for example, a house still lived in and maintained, although given to someone else; and assets held in trust from which you get some personal benefit, for example, an income.

Any wealth that is left to a surviving spouse is not subject to inheritance tax but this, naturally, increases their threshold, sometimes significantly. If a gift is left to anyone other than a spouse (including children) then it could be liable for inheritance tax.

One of the most significant benefits of leaving a legacy to the Leeds Community Foundation (or any other charity) is that it is totally tax free, regardless of the amount of the donation. In addition the total value of the gift is deducted from the total gross value of the estate when calculating inheritance tax. This may reduce the amount of tax your beneficiaries have to pay.

If your estate is worth £273,000 for instance, this is £10,000 over the threshold so the tax liability would be £4,000 (40% of £10,000). However, if you leave the £10,000 to charity the total value of your estate is calculated as being £263,000 and no tax is due.

#### **4. HOW WILL WE USE YOUR LEGACY?**

This really depends on the type of legacy you leave and if you attach any specific requests to it. You might leave us some shares or property and allow our trustees and investment advisors to decide if we keep them or realise them and invest the income. If you choose to leave a cash, residuary or reversionary legacy, you can be specific about what you would like the money to be used to support. We recommend that these wishes are left as broad as possible so that we can meet them.

Examples might include:

- Make a legacy in favour of the Leeds Community Foundation. We would use it to support whichever aspect of our work was most in need.
- Leave it specifically for one of the themed funds we will be establishing that look at the environment, youth etc or to our General Fund where the grant-making priorities will change, from year to year.
- List the charities you would like us to donate to, perhaps ones that you favoured in your lifetime. We will make sure that they continue to benefit from your support and, if they are no longer in existence, will find charities that provide the same or similar services.

Some donors choose to set up a “Named Fund” via a Will. This operates in a similar manner to a charitable trust but without the complex legal and financial requirements that trusts are bound by. By leaving a minimum of £10,000 in your will, we will set up a Named Fund – the Joseph Tetley Fund or the Joseph Tetley Memorial Fund, for instance. This can either be a general fund supporting the most pressing, local needs or it can be tailored to support specific local needs in which you might have a particular interest. Our grants panel will work to ensure that grants are distributed in keeping with your wishes.

For more significant bequests (of approximately £50,000 and above) you can elect to set up a grants panel, perhaps of friends and family members. They can choose the projects they believe you would be most interested in and play a greater role in the grant making.

#### **5. WHY LEAVE A LEGACY TO THE FOUNDATION, NOT TO THE CHARITY DIRECTLY?**

Many individuals choose to nominate a specific charity or project in their will. If it is a well-known major national or international charity, it will probably still be in existence when your will comes into effect. However, if you want to support a local cause that is close to your home or your heart, this may not be the case. Your executors may have to spend time trying to find the charity, they may need to apply for a variation on the will in order to give it to a similar charity if the cause you have mentioned is no longer in existence. It is possible that, by the time you pass away, the charity you have chosen is no longer in need of financial support.

The Leeds Community Foundation can help you overcome some of these issues by the flexibility that we offer. You can still choose to elect to support specific charities or projects but, if they are no longer in existence or in need when you pass away, we have the ability to use your donation to support other causes that are most similar to the ones you have chosen. This does not require any potentially lengthy legal intervention or expensive fees.

#### **6. WHAT DO I DO NEXT?**

We would be delighted to explore some of these options with you further to make sure that any legal decision you take matches your desire to help the local community. Please phone our Chief Executive, Sally-Anne Greenfield, on Leeds (0113) 2422426. We would always advise that you contact your solicitor or legal advisor to either draw up a Will (if you don't have one already) or to attach a Codicil to a current will but can give you some useful advice to help your decision-making.