



## JEWISH COMMUNITY FOUNDATION ORANGE COUNTY

# LEGACY PLANNING FAQs

### **What is a foundation?**

- Foundations are grant-making organizations that are regulated by the Internal Revenue Code, which defines what types of activities are considered charitable.
- There are different types of foundations, including private, corporate, and community foundations.
- Most foundations award grants only to non-profit, charitable organizations.
- Foundations are prohibited from lobbying and political activities.

### **What is a legacy plan?**

- A legacy plan preserves and communicates a donor's values, memories, and wishes in order to ensure clarity for future support of organizations and causes the donor cares about.
- It may encompass a family history statement, endowment(s), donor advised funds for children, outright distributions, family advisory committees, and a number of other philanthropic structures.
- Organizations can encourage donors to include them in their legacy plan or contribute to an existing organization endowment fund to help ensure the organization's long-term financial sustainability.

### **What is a bequest?**

- A bequest is the act of giving property through a will.
- The Foundation can provide sample language for a donor's will to indicate a bequest to the Foundation. It can reference the donor's legacy plan – and then that legacy plan specifies the individual beneficiaries. Therefore, if a donor wants to make alterations to a legacy plan (e.g., change beneficiaries or advisors), this can be done without making any changes to the donor's will. To view sample bequest language online, go to <http://jcfoc.org/sample-bequest-language-donors/>

### **What is an estate?**

- An estate refers to the assets and liabilities left after one's death.

**What is an endowment?**

- An endowment is a permanent fund that earns money to benefit a charitable organization.
- The principal remains in perpetuity – annual distributions are made to the beneficiary from the funds' earnings.
- The Foundation maintains endowment funds for individuals, families and organizations.

**What is the minimum amount to establish an endowment?**

- There is no minimum dollar amount for a legacy plan. However, to establish a named endowment fund requires a minimum of \$10,000 to assure distributions are large enough to support the formal structure.

**Other than cash, what assets can a donor contribute to his fund?**

- Stocks & Bonds
- Insurance policies
- Personal residence
- Commercial property
- Business holdings & Partnerships

**How do donors decide on a funding amount?**

- This is their choice. Donors may fund a specific dollar amount or specify a percentage of their estate.
- Percentages work well because donors may not know the exact assets that will be available in their estate. Donors can bequeath a percentage of their estate to the Jewish Community Foundation, and then specify in their fund agreement with the Foundation what percentage each beneficiary will receive.

**Are donors limited to the types of nonprofit organizations they can select?**

- No. Donors may select any non-profit organization that reflects their values and charitable interests. They may also target a field of interest, such as Jewish education or geriatric care.
- The beneficiaries must simply be recognized as non-profit entities under the requirements of Section 501(c)3 of the Internal Revenue Code.

**Can a donor change his/her plan after it is established?**

- Yes. Donors can modify their legacy plans as often as they wish.
- Changing a legacy plan does not involve altering the donor's will or trust.

**Are there fees for legacy planning assistance?**

- No. There are no fees whatsoever until the time of funding. Thereafter a 1% annual fee is charged on the endowment fund. This is the same or less than other commercial or non-profit institutions.

**Can a donor's children decide where the money goes?**

- Yes. Donors can name their children as advisors for part or all of their funds. The Foundation encourages using the creation of a legacy plan as an opportunity to have a family dialogue about the kind of legacy donors want to leave and how their children can help shape it.
- The Foundation's professionals will help explore the options for intergenerational legacy planning, to find the best solution for donors and their families.

**What if the donor moves to a different city or state? Is this only for Orange County?**

- A legacy plan can be easily altered to reflect the changes in the donor's life. The beneficiaries are not geographically limited to Orange County.

**How does the Foundation manage donor funds and investments?**

- The Foundation's investment manager, SEI, ensures that funds held at the Foundation are wisely invested for optimum performance over time.
- The Foundation's Investment Committee, a group of volunteers with expertise in finance and investments, provides oversight to Foundation fund management.
- To ensure that distributions to a donor's beneficiaries are not dramatically affected by fluctuations in the market, the Foundation's Board of Trustees establishes a spending rate, which is evaluated annually. The rate is based, in part, on a three-year rolling average of the Foundation's investment returns.

**Are donor transactions with the Foundation confidential?**

- Absolutely. The Foundation does not share donor information with any individual or organization.

**Should donors talk to a lawyer and accountant?**

- The Foundation strongly recommends that donors consult with their own professional advisors regarding their legacy plan.
- The Foundation will provide sample language and information to assist donors' advisors.
- The Foundation's endowment professionals will work with donors and their advisors to ensure that the legacy plan is tailored to best meet the donor's expectations and means.