

Leaving a gift in a will

Leaving a Legacy for Bedfordshire

Do you have a client who is interested in setting up a charitable trust through their will, but is wary of the legal responsibilities they may be leaving for family and friends?

Has your client approached you with a request to leave a charitable bequest to help a variety of Bedfordshire and Luton based charities?

Do you have a client that would like to leave a gift to their local community, but hasn't been able to find the right vehicle?

If the answer is yes to any of these questions, Bedfordshire and Luton Community Foundation can help.

Leaving a legacy for Bedfordshire

Many of our supporters have been committed to Bedfordshire for many years, and they don't want that commitment to end when they die. Although some people have a clear idea of the charities they wish to support through leaving a gift in their will, others may want to give back to their local community but are unsure exactly which charities to support.

A long term and viable alternative is for Bedfordshire and Luton Community Foundation to be named as the recipient in a will, with the instruction to use the legacy to support a particular cause or a particular area of the county.

Types of legacy

There are a number of ways that donors can support local causes via a legacy to Bedfordshire and Luton Community Foundation; we work closely with professional advisors to agree the most appropriate solution for their clients. Whether a residuary legacy, pecuniary or specific legacy, the Foundation is able to manage legacies of all kinds.

Bedfordshire and Luton Community Foundation provides a uniquely flexible range of options and support for clients. Whatever their charitable interests of your clients, the Foundation can:

- Use its local expertise to match deserving causes with the criteria set by your client. For example, if your client has a particular wish to support young people in Bedford or mental health issues across the county, we can set up a fund agreement with your client which states their wishes.

- Provide a solution for leaving a one-off legacy which benefits a wide range of deserving, local causes across Bedfordshire.
- Offer a way through an endowment to make a single gift that keeps on giving, in perpetuity, to the causes your client supports.
- Enable family and friends to be involved in the decision making process without the burden of legal or fiscal responsibility.

Simply naming Bedfordshire and Luton Community Foundation as the beneficiary in a will provides your client with the flexibility to support a wide variety of important local causes and respond to changing needs over time. Bedfordshire and Luton Community Foundation guarantees to use the donation in the best and most effective way to improve lives in the local community whilst adhering to the client's wishes.

Case Study

Mr A approached his solicitor in Bedford to discuss leaving the whole of his estate for the benefit of the parish where he was raised. He is the last living family member and his estate is worth £350,000. His solicitor did not feel that it would be appropriate to create a personal charity as it would be difficult to identify trustees to manage the funds in perpetuity, and the set up and running costs would be prohibitive. Mr A's solicitor referred him to Bedfordshire and Luton Community Foundation and, following a discussion with the solicitor and Mr A, a legacy fund was established to provide small grants up to a maximum of £2,000, or larger grants at the Trustees' discretion to support groups which promote health and wellbeing, tackle disadvantage, support local solutions to meet local needs, promote community cohesion and develop sustainable and supportive communities.

Tax benefits

As an accredited community foundation, legacies made to Bedfordshire and Luton Community Foundation qualify as charitable donations. As you will be aware, charitable legacies are exempt from inheritance tax and could help reduce the total amount of tax paid on your client's estate, maximising what is available for their heirs. We can also accept gifts in cash, shares, land, property or other assets which can also be made tax efficiently.

Case study examples for clients

The basic principle is that if an individual leaves 10% or more of their estate in their will to charity, the rate of inheritance tax will be reduced from 40% to 36%. However, this doesn't necessarily mean that they have to leave 10% of the whole estate - the rules are more generous than this. In short, it is only necessary to leave 10% of the net value of their estate. This is the sum of all the assets after deducting any debts, reliefs, exemptions and the tax free band.

Bedfordshire and Luton Community Foundation is not qualified to provide tax advice to individuals and we always advise any potential donor to discuss the tax implications with their professional adviser. However, we set out below some examples of how the rules governing the IHT exemptions on charitable gifts work, which show how favourable they are.

You might find these examples helpful to share with your clients to illustrate the tax benefits of leaving a legacy:

Example 1

Robert dies leaving an estate worth £500,000. He has a full tax free band of £325,000 so his taxable estate is £175,000. To qualify for the reduced rate of tax he needs to leave 10% of £175,000 to charity i.e. £17,500. The £17,500 qualifies for the charitable gift exemption leaving £157,500 which is taxable at 36% making a tax liability of £56,700. This leaves £425,800 for his heirs.

Example 2

Had Robert left a legacy of £15,000 to charity his estate would not have qualified for the reduced rate as £15,000 is less than 10% of the net value. After making a deduction of the tax free band of £325,000 and the charitable gift exemption of £15,000, his taxable estate would be £160,000. This would be taxed at 40% making a tax liability of £64,000 leaving just £421,000 for his heirs. So, interestingly, Robert's heirs will be better off if he leaves £17,500 to charity rather than just £15,000.

Example 3

If Robert left nothing at all to charity his taxable estate would be £175,000 and the tax charged at 40% would be £70,000 leaving £430,000 for his heirs. So whilst Robert's heirs would be better off if he left nothing to charity at all, as can be seen in points 1 and 2 above, by reducing what is available to his heirs by just £4,200 the charity benefits by £17,500.

The Foundation has specimen wording available to help solicitors ensure that we can manage your client's gift according to their wishes.

Contact

To find out more about helping your client's to leave a legacy to Bedfordshire and Luton Community Foundation please contact Fozia Irfan or Warwick Browning on 01234 834930