

UNIVERSITY OF NORTHERN IOWA FOUNDATION

THE BEQUEST SUGGESTED TEXT FOR A WILL PROVISION

The following sample bequest provisions may be helpful for your attorney in drafting will provisions.

GENERAL BEQUEST

The most familiar type of bequest is the general bequest, which specifies that we will receive a designated sum. Sample language would be:

“I give, devise and bequeath to the University of Northern Iowa Foundation, an Iowa non-profit corporation, \$ _____, the principal and income which may be used for such purposes as the Foundation Board of Trustees may determine.”

SPECIFIC BEQUEST

When making a specific bequest, you are directing that one particular piece of property be transferred to the UNI Foundation, such as a piece of real estate, the stock from one specific company, or some other specific asset. This type of bequest is ideal for individuals wishing to give particular stocks or real estate or a valuable art object. A specific bequest can be satisfied *only* with the specific property designated in your will. If that property has been sold or otherwise removed from the estate, the UNI Foundation receives nothing in its place.

PERCENTAGE BEQUEST

This is an excellent alternative to the general bequest. The percentage bequest states that you provide the UNI Foundation a predetermined percentage of your estate. By making a percentage bequest of 10%, 25% or 50% of your estate, for example, you assure yourself that inflation will not reduce the true value of the bequest intended for UNI.

RESIDUARY BEQUEST

This bequest directs that the UNI Foundation receive either everything remaining in your estate or a designated percentage of your remaining estate, after all necessary costs, all general bequests, and all specific bequests are satisfied. Sample language would be:

“All the rest, residue and remainder of my estate, both real and personal, of any kind and description, wherever situated and whether now owned or hereafter acquired, including any power of appointment, I give, devise and bequeath to the University of Northern Iowa Foundation, an Iowa non-profit corporation.”

BEQUESTS WHICH CREATE AN ENDOWMENT

Many individuals, particularly those providing a larger bequest, are interested in creating an endowment fund, whereby only the income generated by the gift is used by the University. If you create an endowment through a bequest in your will, please use the following language:

“I give, devise and bequeath (*define bequest as residue or percentage of estate, sum of money, or specific asset*) to the University of Northern Iowa Foundation, an Iowa non-profit corporation, to create the (*insert appropriate name*) Endowment Fund. Income only from this fund shall be used to (*insert how you wish the fund to be used.*)”

A concern that confronts the Foundation and the University in the administration of endowment gifts arises when a gift is restricted to some particular area. With passing years and changing circumstances, it may become unwise, unnecessary or impossible to use the funds for the purpose to which they were originally intended. If you want to designate a restricted gift in your estate, we also suggest that you include the following relief language:

“In the future, if there is no longer a need for funds as specified or if, in the opinion of the Foundation Board of Trustees, it is unwise to use the gift for purposes specified, the Board of Trustees may in its discretion use the funds for the fulfillment of other such objectives at the University of Northern Iowa as it may designate, always keeping in mind the objectives of the donor and keeping the name of *(insert appropriate name)* associated with the distribution.”

CONTINGENT BEQUEST

As the name implies, the bequest is “contingent” on some event. You might make a primary bequest for a relative, with the contingency that if that relative is not living at the time your will is probated, the bequest will pass on to the UNI Foundation. The contingent bequest is often used in the case of a husband or wife who stipulates that if his or her spouse is not living when the will is probated, then the bequest specified for the spouse will pass to a contingent charitable beneficiary.

BEQUEST OF IRA

One thing to remember about an IRA is that you may end up bequeathing that to family members and they could pay both an income tax and an estate tax on that IRA. Since the IRA has value, if your estate is over the exemption equivalent, there will be an estate tax on the IRA. In addition, since this represents untaxed ordinary income, the family when they receive it could also be required to pay income taxes with a small partial offset for the previous estate taxes already paid. The net result of this combined taxation, which also may include extra state taxes, could be over 80%.

BEQUEST OF IRD

IRD assets are an excellent choice for transfer to charities. While the IRD asset may have been a very desirable asset for the decedent, given a choice, the heirs would far prefer a capital asset to an IRD asset. The capital asset receives a stepped-up basis and the heir may convert the capital asset to cash with no recognition of capital gain. However, upon recognizing the ordinary income or capital gain in the IRD asset, the heir will be subject to tax. Thus, it is eminently logical to transfer capital assets such as stock or land to heirs and use IRD assets for charitable transfers.

Common IRD assets include IRAs and pension plans, the ordinary element within a commercial annuity, stock options, unqualified deferred compensation, the gain in installment notes and the ordinary element within U. S. savings bonds.

The University of Northern Iowa Foundation is an Iowa non-profit corporation exempted from federal income taxation as a section 501(c)(3) publicly supported charity.

University of Northern Iowa Foundation Federal Tax ID#: 42-6058591

It is always a good idea to share your plans with the Planned Giving Office of the University of Northern Iowa Foundation in order that we may be certain that the language used will accurately carry out your desires. For further information, please call us at 319-273-6078 or 800-782-9522.

