



New Britain Museum of American Art

## Planned Giving Options

### Bequests

A bequest is one of the simplest and most frequently used methods for making a “planned gift” or “deferred gift” to the Museum. A bequest is a gift in a donor’s will. It can also be a gift in a donor’s revocable trust agreement, which takes effect on the donor’s death. A bequest can be for any amount. A bequest can take various forms: (1) a stated dollar amount (“the sum of \$10,000”); (2) specific property (“my residential real property located at street address in New Britain”), (3) a percentage of the residue (“one-tenth of my estate”). A “residuary bequest” grants NBMAA all or percentage of the donor’s estate after other gifts, debts, taxes, and administration expenses have been satisfied.

Sample bequest language: Language for a gift by bequest is simple and can be incorporated into a new will or added by a codicil (amendment) to your existing will.

I give (describe dollar amount, property, or proportion of residuary estate) to the New Britain Museum of American Art, Inc., a nonprofit corporation located at 56 Lexington Street, New Britain, CT 06052 for its general charitable purposes.

### Gifts that Produce Income and Tax Savings

#### Charitable Gift Annuities

**Charitable Gift Annuity** The Charitable Gift Annuity is a deferred gift vehicle for donors who wish to transfer cash or securities worth at least \$10,000 to the Museum in exchange for the Museum’s promise to pay a fixed annuity to one or two life annuitants who are at least 60 years old at the time the gift is made. The arrangement is a straightforward agreement between the donor and the NBMAA that guarantees a fixed income, usually to the donor or to the donor and the donor’s spouse (or other designated individual who has reached age 60) for life. On the death of the annuitant(s), the Museum uses the remaining principal for the purposes designated by the donor in the gift annuity agreement.

**Deferred Charitable Gift Annuity** For annuitants age 40 or older who are ready to make a gift of \$10,000 or more to the Museum and receive a tax deduction now but wish to receive income at a later time, the Deferred Charitable Gift Annuity is a very good gift option. The annuitant’s income

is usually deferred until age 65 or retirement, when the donor needs income and may be in a lower tax bracket. The annuity rate is based on the annuitant's age at the time the payments commence. The annuitant receives the benefit of tax-deferred earnings with a compounded return. The donor has the opportunity to make a large gift, or a series of gifts, to the Museum early in life, naming the fund and building income. When the annuity begins, ordinarily the annuitant has retired and may be in a lower income tax bracket.

**Charitable Remainder Trusts** This is a "split-interest" trust arrangement, the terms of which are governed by specific IRS rules. The donor establishes an irrevocable trust, which pays income to the donor (the donor's spouse or another individual) for lifetime or a period of years. On the termination of the "income interest", the Trust terminates and the balance is distributed to the Museum. The creation of the Trust results in the donor's receiving a current income tax deduction for the value of the remainder interest passing to charity. Its benefits are (1) charitable income tax deduction for the donor, (2) the Trust is tax-exempt so its sale of appreciated assets does not result in taxation of capital gains, thereby allowing all the proceeds to be reinvested to generate income for the donor; and (3) the Trust ultimately benefits the Museum. This is a good option for donors who have low basis, low yield stocks who want to benefit the Museum. By establishing a CRT, the donor can convert an appreciated asset, which does not produce income to an income-producing asset without generating capital gains tax, obtain a current income tax deduction and ultimately benefit the Museum.

**The Charitable Remainder Unitrust** The Charitable Remainder Unitrust provides a variable rate of return to the income beneficiary. The donor establishes the Trust Agreement with the assistance of their legal counsel. The Trust provides for a fixed percentage of the value of the Trust, (at least 5% and no more than 50%) valued annually, to be paid to the donor or a designated individual or individuals for life or for a fixed period of years not to exceed 20. When the individual dies or on the termination of the fixed period, the remainder is paid to the Museum. A charitable deduction for a portion of your contribution is available on your income tax return in the year you make the gift.

**The Charitable Remainder Annuity Trust** The Charitable Remainder Annuity Trust is similar to the unitrust, except that the annuity payment is fixed and does not vary depending upon the value of the Trust property each year. These trusts appeal to donors who prefer knowing exactly what their income will be from year to year. A charitable deduction for a portion of your contribution is available on your income tax return in the year you make the gift.

**Charitable Lead Trust** The charitable lead trust is the reverse of a charitable remainder unitrust and annuity trust in that the income or "lead interest" is paid to NBMAA and the remainder interest eventually passes to noncharitable beneficiaries of the donor's choice (usually family members) or reverts to the donor. There are several different ways lead trusts can help achieve a donor's charitable objectives, and tax treatments differ. Most often they are used to pass property to heirs at a reduced gift or estate tax cost. Other lead trusts are designed to produce current income tax deductions for the donor, and still others are designed to keep an income stream out of the donor's own return while avoiding the private foundation restrictions. A donor interested in this type of Trust will need sophisticated, professional assistance. Charitable Lead Trusts are

advantageous to donors when interest rates are low (because the value of the remainder passing to the non-charitable beneficiaries is low, reducing the gift tax). Nonetheless, donors seldom are persuaded to establish a Charitable Lead Trust.

**Please note:** Outside trustees are required for all trust arrangements.

### **Life Insurance**

The NBMAA will accept life insurance policies as gifts only when the NBMAA is named as the owner and beneficiary of 100% of the policy. The Museum accepts insurance policies for which the donor has relinquished ownership by assigning all rights, title, and interest to the Museum.