

Tips By E-Mail: Charities

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Here are a few tips about how to incorporate a charity into your client's trust, whether as a primary heir or as a default heir.

When you list a charity as a primary heir (Schedule C in an unmarried person's trust, Schedule E in a married couple's trust), you will, of course, assign a percentage to that charity. There is no limit on the number of charities you can name (up to the maximum of ten heirs and 100%).

The real issue involving a charity is what circumstances, if any, will increase the charity's share of the estate. Let's say that 10% of the overall estate goes to the Salvation Army and the balance goes equally to three children (or their offspring, if they don't survive). If any of the three children dies without any surviving offspring, where does that 30% go? Effective with our most recent updates, the 30% interest of the deceased child would be divided equally between the other two children. Those two children will each get 45% and the Salvation Army will still get 10%. Notice that the charity's share has not increased.

If two of the children are deceased and have no surviving offspring, the remaining third child will inherit 90% and the Salvation Army will still get 10%. Again, the charity's share does not increase.

If all three of the children are deceased without surviving offspring, their combined 90% share will pass to the default heirs (Schedule D in an unmarried person's trust, Schedule F in a married couple's trust) and the Salvation Army will still get 10%. In all three cases the charity's share remains the same. **ONLY IF THE SALVATION ARMY IS ENTERED AGAIN AS A DEFAULT HEIR WILL IT GET MORE THAN 10%!**