



**American  
Red Cross**

Greensboro Chapter

### **Market Challenges Affect Estate Plans Too.**

#### **Review Your Estate Plan in Light of Stock Market Volatility**

The recent falloff in stock prices has caused many people to reevaluate their financial and retirement plans. But what about the effect of market volatility on your estate plan? Now, in early 2009, is a good time to revisit your will, living trust and beneficiary designations of all kinds, and inquire whether changes in investment values will create an unfair or unintended distribution of your estate.

Suppose your will leaves real estate worth \$100,000 to one heir and that another heir will receive a stock portfolio originally worth \$100,000, but which has declined to only \$72,000. If your intent is to treat your beneficiaries equally, it might make sense to consider percentage bequests in which beneficiaries share proportionately in the increases or decreases of estate assets.

Examine your beneficiary designations. A \$100,000 face value life insurance policy will supply \$100,000 to your named beneficiary. A \$100,000 traditional IRA, on the other hand, is subject to fluctuation in value before your death – and will be taxable on the beneficiary's income tax return (not the case with life insurance). It's fairer to share these assets (along with the risks and the taxes) among beneficiaries.

As you review, and possibly revise, your estate plan for 2009, please consider adding the American Red Cross as a beneficiary of your will, revocable living trust or other beneficiary arrangements. The following ideas allow you to provide for the Red Cross without a codicil (amendment) or a new will, and each provides your estate a charitable deduction.

***Financial accounts.*** People who have financial accounts at banks, savings and loan associations and credit unions generally may direct that their deposits (checking, savings, share accounts, certificates of deposit) be paid on death to a particular individual – or to a charity. The designation can be revoked any time prior to death and in no way affects the depositor's control over the funds in the account.

Ask the manager at your financial institution how these beneficiary designations may be accomplished. In some areas they are called "P.O.D." (pay on death) accounts. "Totten Trusts" are available in other localities, where people with savings accounts in their name can write below their name the words: "as trustee for \_\_\_\_\_ (the death beneficiary)." If you write in the name of the

American Red Cross, or the name of a relative or friend, the contents of the savings account will pass to that beneficiary at death. You can revoke this arrangement anytime during life.

**Brokerage accounts.** If you have stocks, bonds or mutual fund shares in brokerage accounts, it is possible to name the Red Cross as “T.O.D.” (Transfer On Death) beneficiary. You will maintain full control over the account during life.

**Retirement plan beneficiary designations.** Almost any arrangement that provides for a death beneficiary can be made payable to the Red Cross. Death benefits received by a beneficiary from a pension, 401(k) or Individual Retirement Account (IRA) are most often still subject to federal and state income taxes. Because the Red Cross is tax exempt, it often makes tax-wise sense to name the Red Cross as beneficiary (or partial beneficiary) and bequeath other assets, not subject to income tax, to individual beneficiaries. For some retirement plans, a spouse's consent may be necessary. You might also make the Red Cross the beneficiary of commercial annuities or deferred compensation; both can save taxes for your estate.

**Life insurance.** One of the easiest and most cost-effective ways to include the American Red Cross in your estate plans is through life insurance. For example, you might make us the whole or partial beneficiary of an old policy that is no longer needed for family security. Simply ask the insurance company for the forms necessary to change the beneficiary or to transfer ownership in the policy to our name.

If you transfer ownership in an existing policy to the Red Cross, or if you buy and contribute a new policy, you will be entitled to an immediate income tax charitable deduction for the value of the policy (not the face amount), as well as deductions each year for any premiums paid. If you name us as the beneficiary of a policy (but do not transfer ownership of the policy), your estate will be entitled to an estate tax charitable deduction.

*If any of these ideas are of interest to you, or if you have already made a gift through your estate plan, please contact Peter Hodes at 1-866-620-8060 or [hodesp@usa.redcross.org](mailto:hodesp@usa.redcross.org) or log on to [www.redcrosslegacy.org](http://www.redcrosslegacy.org). News of bequest intentions is extremely helpful in our future planning and gives us the opportunity to thank you.*