

# Legacy Giving Guide



## Thank you

Thank you for thinking of the Engineers Trust (the Worshipful Company of Engineers' Charitable Trust) in connection with your Will, and for taking the time to read this booklet. We hope that you're inspired by the thought that you can make a difference to the future of engineering and to the young engineers of the future.

Everything the Engineers Trust does is only possible because members of the Engineers' Company support us. Because we want to do more, we always encourage people to use their Will to enable them to leave a lasting legacy to the profession that they have followed. We very much hope you will consider this with a gift to the Engineers Trust in your Will.

## How your gift will help

Engineering is the future and we need to encourage young people to consider it as a profession (against a vast range of other choices) and to support those who have already made the choice – either by rewarding their excellence, funding their research, or providing modest support to enable them to complete the final stages of a degree. We also recognise those who guide young people towards careers in engineering. Our Trust fund was formed in 1983 and now stands at £1.5 Million, and through the returns on this we are now able to support some serious causes which show the Engineers Trust to be playing a significant role in the field. Our funds have come mainly from members of the Company, either through regular donations, occasional payments or legacies.

Of course, it is wonderful when someone leaves a large enough amount to fund an entire cause. We have recently been very fortunate to receive a very large legacy from Dr David Leete, which is now being used to support three concurrent PhD students researching into advanced manufacturing for the long term.

However, even small amounts are useful and enable us to refresh awards to keep their value such that it attracts the right people, to support more young people in their path towards engineering, and to consider new awards as the emphasis on engineering changes with the times.

Every gift we receive is appreciated and used responsibly and respectfully. Nearly everything given to the Trust supports our causes, as our Trustees work voluntarily and our administrative costs are very small.

## Inheritance tax

If your estate is worth over £325,000 when you die, Inheritance Tax (IHT) may be due. You may leave any amount to charity, tax free. But in addition to that, from 6th April 2012, if you leave 10% of your estate to charity, the tax on the remainder of your estate is paid at a reduced rate of 36% instead of 40% - which could in some circumstances be a significant benefit to your beneficiaries.

Any gifts you make to the Engineers' Trust (or any registered charity) during your lifetime or in your will – will be exempt from Inheritance Tax.

In order to qualify for the reduced rate you must leave at least 10% of the net value of your estate to a qualifying charity. The net value of your estate is the sum of all assets after deducting any debts, liabilities, reliefs, exemptions and the nil-rate band.

There are different ways that you can own assets such as money, land or buildings and the way that you own the assets (and with who) affects the way they are treated when deciding whether the reduced rate of tax can apply.

To see how much you need to leave to charity to qualify or whether your estate can pay a reduced rate of Inheritance Tax because of a charitable donation left in a will, you have to work out the value of each of the separate parts of an estate. These are known as 'components'. It is possible that one part of an estate may pay Inheritance Tax at 36% and another pay tax at the full rate of 40%. To work out whether the reduced rate applies, your estate and your assets are broken down into three components as follows:

- Assets that you own jointly with someone else that pass by 'survivorship'
- Assets in trust
- Assets that you own outright or as tenants in common with someone else

For further details on how this will impact your individual circumstance please contact your solicitor or visit the HM Revenue and Customs website:

<http://www.hmrc.gov.uk/inheritancetax/pass-money-property/charity-reduce.htm>

In the example shown below, a donation to the Engineers' Trust of £50,000 may be made at a cost of £16,500.

So, by donating to a charity, it is possible to significantly reduce your inheritance tax.

#### Example 1 without Legacy

Total value of estate	£750,000	
Less	£325,000	inheritance tax threshold
Taxable amount	£425,000	
Tax @ 40%	£170,000	
Net residue of estate	£580,000	

#### Example 1 with Legacy

Total value of estate	£750,000	
Less	£325,000	inheritance tax threshold
Taxable amount (Baseline)	£425,000	
Legacy to Engineers Trust	£50,000	
10% Charity Threshold	£42,500	(threshold for applying 36% IHT passed)
Taxable Amount	£375,000	(£750,000 – £325,000 - £50,000)
Tax @ 36%	£135,000	
Net residue of estate	£565,000	

Therefore, the Engineers Trust receives £50,000 but the net residue of your estate goes down by only £15,000.

Note that the beneficiaries of an estate could choose to increase the charitable donation by making an instrument of Variation so that the 10% test is passed. This could mean that the Inheritance Tax paid could be reduced by more than the additional payment to charity.

#### Example 2 without Legacy below 10%

Total value of estate	£900,000	
Less	£325,000	inheritance tax threshold
Taxable amount (baseline)	£575,000	
Legacy to Engineers Trust	£50,000	
10% Charity Threshold	£57,500	(threshold not passed)
Taxable Amount	£525,000	(£900,000-£325,000-£50,000)
Tax @ 40%	£210,000	
Net residue of estate	£640,000	

#### Example 2 with Legacy equal to 10%

Total value of estate	£900,000	
Less	£325,000	inheritance tax threshold
Taxable amount (Baseline)	£575,000	
Legacy to Engineers Trust	£50,000	
Variation of Legacy	£7,500	(total donation to charity £57,500)
10% Charity Threshold	£57,500	(threshold for applying 36% IHT passed)
Taxable Amount	£517,500	(£900,000 – £325,000 - £57,500)
Tax @ 36%	£186,300	
Net residue of estate	£656,200	

Therefore, the Engineers Trust receives an additional £7,500 and the net residue of your estate goes up by £16,200.

## How to include the Engineers Trust in your Will

### Making a Will

We always recommend that you use a solicitor to help you make or change your Will. It's best to act while the thought is fresh in your mind, so why not make an appointment at your earliest convenience?

To save time in the solicitor's office, make a list of your assets beforehand and think about who you would like to receive them in the event of your death. Think about who could act as your executors – they are the people who make sure that your wishes are carried out. Your solicitor will then draft a Will for you to sign. See our 'six easy steps'.

### Updating a Will

If you have already made a Will, it's good to review it regularly, as your circumstances may have changed or new family members may have arrived or sadly departed. Your assets, such as the value of your home or any investments, may have changed too.

If you are updating your Will, your solicitor simply adds what is known as a codicil. Please do not write on, amend or attach any forms to your current Will yourself, as your Will could become invalid.

## Types of gift

### A share of your estate

Known as a 'residuary legacy', it is a percentage of what remains of your estate after expenses and gifts have been paid. The advantage of this type of gift is that it won't be affected by inflation, meaning that you are less likely to need to update your Will in the future as the intentions behind each gift will be unaffected by wider economic factors.

### A specific sum

A gift of a set amount of money, also known as a pecuniary legacy.

### This is the wording your solicitor will need:

#### To leave a proportion of the estate:

Subject to payment of my debts, funeral and testamentary expenses, I give the whole / \_% of my estate not otherwise disposed of by this my Will to the Charitable Trust Fund of the Worshipful Company of Engineers (A charity registered in England and Wales, number 289819) of Wax Chandlers' Hall, 6 Gresham Street, London EC2V 7AD for the general purposes of the Trust and I declare that the receipt of its Clerk or other proper officer shall be a full and sufficient discharge.

#### To leave a specific amount

I give free of tax to the Charitable Trust Fund of the Worshipful Company of Engineers (a charity registered in England and Wales, number 289819, of Wax Chandlers' Hall, 6 Gresham Street, London EC2V 7AD the sum of £\_ for the general purposes of the Trust and I declare that the receipt of its Clerk or other proper officer shall be a full and sufficient discharge.

Some people like to leave a gift of their inheritance tax-free allowance to family and friends, and then give the remainder to charity, to prevent any inheritance tax from becoming payable from their estate. If this is what you are thinking of doing, and you are married or are a widow / widower, then you may wish to be aware of the following:

Recent tax changes mean that, where the first spouse in a couple has died, but their circumstances were such that not all of their inheritance tax allowance was used following their death, (for example, if they gave their whole estate to their surviving spouse) then this unused allowance can now be carried forward and used on the death of the surviving spouse, to increase the amount which can pass free of inheritance tax under the estate.

Your solicitor or legal adviser will be able to offer you further help and guidance.

### Our promise to you

1. We won't put you under pressure – it's a big decision, so please decide in your own time.
2. Your family comes first. We know it, we respect it, and we won't try and change it.
3. We'll use your special gift wisely and effectively.
4. You don't have to tell us your decision – we respect your right to privacy.
5. If you want to, you can discuss with us more about what we do, and what we would like to do.
6. We'll answer any questions you have honestly and quickly.
7. If you want your gift to be spent on a cause that's special to you, we'll do our best to arrange it. However, we would prefer gifts to not be restricted to specific causes as, in time, such causes may become dated in our fast moving profession.

## Six easy steps to making or changing your Will

- 1. Make a list of your assets** - It can be very useful, and save time and money with your solicitor or legal advisor, to make a list of your assets and estimate their value.
- 2. Make a list of what you owe** – You will also need to consider any outstanding mortgage, loan, bills or debts, as well as anything you are owed, in order to give yourself a clearer picture of the true value of your estate.
- 3. Decide who you want to benefit** – List the people and organisations you wish to remember in your Will and think about how you would like to divide your estate between them.
- 4. Decide what type of gift you want to leave** – A proportion of the estate or a specific amount.
- 5. Choose your executors and meet your solicitor** – Your Will is very important to the future of loved ones and causes you care for. So we strongly recommend that you see a solicitor, or a member of the Institute of Professional Will Writers, when making or changing your Will. You will need to choose executors – quite often, people chose one family member or one solicitor to carry out the terms of their Will, to ensure that nothing is overlooked.
- 6. Keep your Will in a safe place** – It is an important document, so many people leave it in the care of their solicitor or legal adviser and keep their own copy in a safe place. Make sure your executors know how to find it. You might also wish to deposit a copy of your Will with the Principal Probate Registry, for safekeeping.

If you have any questions at all about making or updating a Will, please call The Clerk, The Worshipful Company of Engineers, on 020 7726 4830. Or email [clerk@engineerscompany.org.uk](mailto:clerk@engineerscompany.org.uk). Any information you decide to share with us will be treated in the strictest confidence. We're here to help.

The Charitable Trust Fund of the Worshipful Company of Engineers  
Registered in England and Wales, number 289819  
Wax Chandlers' Hall  
6 Gresham Street  
London EC2V 7AD



## Your questions answered

### Should I make a Will?

If you don't make a Will you will die 'intestate' (see Jargon Buster), which would mean that only your nearest family would benefit. However, the division between close family under the intestacy rules may not be what you would have wanted and other family members, friends and favourite causes you might want to remember would receive nothing. It could also lead to an unwanted and avoidable IHT bill on your death.

### I would consider a gift to the Engineers Trust, but I don't want my family and friends to miss out. What should I do?

Of course, family and friends come first. All we ask is that you consider leaving us a share of whatever is left of your estate once your specific wishes have been carried out. There are also tax advantages of leaving a gift to charity.

### I know I ought to have a Will, but isn't it very complicated?

Not at all and if you are just making a very simple change to your Will, it can be even more straightforward by adding a Codicil to your original Will rather than redrafting it completely. The more you can plan the better, which is why we have described the six simple steps.

### What about the law in other parts of the UK?

Inheritance law is the same in England and Wales. However, some important aspects differ in Scotland, Northern Ireland, the Channel Islands and the Isle of Man. A solicitor or legal adviser with knowledge of those jurisdictions can help you if this is a relevant issue.

### What is the legal wording for leaving a gift to the Engineers Trust?

We cannot say for certain because that depends on the nature of your gift. Your solicitor or legal advisor can advise you on correct wording but please ensure that it includes our full name – The charitable Trust Fund of the worshipful Company of Engineers, Wax Chandlers' Hall, 6 Gresham Street, London, EC2v 7Ad, and our Registered Charity Number 289819 (England and Wales)

## Jargon Buster

### Legal words or phrases made simple

We know how intimidating legal jargon can be, so here we explain some of the most commonly used terms to help you make sense of it all.

**Administrator** – This is a very similar role to that of executor but is the legal name of the person who will sort out your estate if you die intestate (i.e. you did not make a Will).

**Beneficiary** – Any person or organisation you leave a gift to in your Will.

**Codicil** – A legal document altering or adding to your existing Will. It must be witnessed in its own right and kept with your Will.

**Estate** – The total value of everything you own at your death.

**Executor / Executrix** – The (male / female) people you choose to make sure the instructions in your Will are carried out.

**Guardian** – The person you appoint to have parental control of your children if you die a single parent.

**Intestate** – Dying without having made a Will, or when the wishes in your Will do not cover all of your estate.

**Legacy or bequest** – A gift to a person or organisation in your Will.

**Pecuniary legacy** – A gift of a fixed amount of money

**Probate** – The legal procedure to confirm your Will is valid and to give your executor power to deal with your estate. In Scotland this is known as confirmation.

**Residue** – Whatever remains in your estate when all debts, taxes, charges and gifts have been deducted.

**Life Interest Trust** – A gift you leave for a person to use for their lifetime which, following their death, reverts to some other person or body.

**Specific legacy** – A gift of specific items such as personal possessions (antiques, furniture, jewellery), land, buildings or specified investments such as shares or the contents of a bank account.

**Testator (male) or testatrix (female)** – The person who is making the Will.

**Trustee** – A person who is responsible for any part of your estate left in a trust which continues after your estate has been wound up.

**Witnesses** – Two independent people who watch you sign your Will and then sign it in your presence. Great care needs to be taken to ensure your Will is witnessed properly as incorrect witnessing may make your Will invalid. Your solicitor or legal adviser will be able to ensure that you select suitable witnesses and follow the correct procedure.