Giving Through Life Insurance

A family's Love is forever™

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Making the Most of Life Insurance

Many of us have one or more life insurance policies. Life insurance is traditionally purchased for many reasons—to provide security for loved ones, as a time-honored savings plan, or as a means to provide funds expected to be needed for the payment of estate taxes and other estate settlement expenses.

Life insurance is an especially flexible planning tool that can be used to meet a variety of personal financial needs.

You may be surprised to learn that life insurance can also offer a convenient way to fund meaningful charitable gifts.

Can your policies give for you?

Ask yourself the following questions to determine whether a gift of life insurance could play a role in your charitable giving plans.

- Do you have a policy on your life that was intended to protect a spouse who no longer needs it or a child who is now financially independent?
- Do you have life insurance purchased to pay estate taxes? Changes in our nation's tax laws in recent years have resulted in reduced estate taxes for many. If these savings will apply to you, the proceeds from life insurance purchased for the payment of taxes may instead be devoted to purposes that are more in keeping with your wishes. These funds may offer a way to make gifts to charitable interests and others that you may not have previously thought possible.

- Do you have a policy purchased to complete payment of a mortgage that is no longer outstanding?

- Do you have a policy you bought to help provide retirement income? Have you since accumulated adequate amounts in other retirement plans?

- Do you have a policy you bought to help assure that money will be available for your children's education? If you used other funds to pay for their education, is this life insurance still needed?

- Do you have a policy to protect a business that no longer exists or that no longer needs such protection?

Although many people have excess life insurance, they often do nothing about such obsolete insurance coverage. Check your life insurance policies and compare them with your present needs. Then consider how your life insurance may be used to help you meet other goals.

Seven Ways to Give Using Life Insurance

Each method of giving life insurance described here helps meet a different estate or financial planning goal. Consider whether any of these ways to give life insurance may be applicable to your situation.

1. Name a charitable recipient as beneficiary of a policy you own in one of the following ways:

- As a primary beneficiary to receive part of all of the policy proceeds along with your spouse and/or other loved ones.

- As secondary beneficiary to receive part or all of the proceeds in case one or more of the primary beneficary(ies) has predeceased you.

- As final beneficiary to receive part or all of the proceeds if all other beneficiaries have predeceased you.

2. Purchase a new policy. This can be a convenient way to make a substantial gift in an affordable and tax-efficient manner. If the charitable beneficiary is the owner of the policy, you may deduct the amount of premiums paid on the policy when you itemize state and/or federal tax deductions.

3. Give a paid-up policy you already own by changing the owner and beneficiary. You can deduct an amount equal to the approximate cash value up to 50 percent of your adjusted gross income (AGI). If the amount is over 50 percent, you can deduct a portion in the year of your gift and carry the excess over for up to the next five years.

4. Give a policy on which you are still paying premiums. If a charitable recipient is named irrevocable owner and beneficiary, you may deduct future premium payments as charitable contributions as well as an amount equal to the approximate cash value at the time the gift is made.

5. Buy a policy benefiting your heirs to replace money or property you have given. This method merits serious consideration by those who want to make significant charitable gifts without necessarily reducing what their heirs will receive. The tax savings realized as a result of a gift of cash or other property may be used to help off-

set the cost of insurance purchased to replace the assets you donated.

6. If it is more advantageous, purchase a life insurance policy on the life of another person. This is an excellent way to give life insurance if you are uninsurable. As with other policies, premiums are deductible when a qualified charity is named as the irrevocable owner and beneficiary.

7. Assign policy dividends to charitable interests. This can be a convenient way to make a tax deductible gift.

In Summary

As you can see, life insurance offers tremendous flexibility for those who wish to include charitable gifts as part of their long-range financial and estate planning. To summarize the benefits:

- **A life insurance gift is immediate.** The proceeds are paid in cash immediately following death. Life insurance gifts generally are not subject to possible shrinkage from probate costs. Unless the death proceeds are payable to the estate, delays in settlement usually do not occur.

- **A life insurance gift is convenient.** Changing the beneficiary of a life insurance policy may be simpler and more cost-effective than creating a trust, making or changing a will, or arranging for other forms of giving.

- **A life insurance gift is private.** A life insurance policy is not a matter of public record; thus, your total privacy in giving may be assured.

- **A life insurance gift is economical.** Under certain circumstances, the size of a person's gift can actually be larger than the original cost. And because a qualified charity is the irrevocable owner and beneficiary, the premiums paid on the policy are tax deductible gifts. Check with your advisor to confirm tax deductibility in your state.

Summary of tax benefits	
If you…	you may deduct...
Give paid-up policy surrender value	Approximate cash
Give policy on which you are still paying premiums	Approximate cash value and future premiums paid
Purchase new policy for charity	Premiums (if charity is named owner)
Assign dividends to charity	Value of dividends
Buy policy to guarantee pledge to charity	Premiums (if charity is named owner and
Name charity as primary, secondary, or final beneficiary on	Premiums are not deductible unless policy is owned by charity

Conclusion

Charitable giving and life insurance have gone hand-in-hand for many years. Today, as an asset owned by most American families, life insurance can offer a wonderful way to carry out your charitable intentions—especially in the case of an insurance policy bought a number of years ago and no longer needed for its intended purpose.

If you have any questions or would like additional information regarding charitable giving and life insurance, please contact Lisa Evanylo at 552-9716 or Bill Baker at 552-1727 (or email him at: bakerw98@warmhearthva.org)

State laws govern and regulate the issuance and operation of life insurance policies. These laws can affect the deductibility of gifts for federal income tax purposes. Check with your life insurance representative or other advisors for additional information.

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