

Questions About Life Insurance

A Convenient Way to Provide for Others

When you consider making gifts for charitable purposes, you probably think about giving cash, stocks, bonds, real estate or other property. But what about life insurance?

By simply naming a charitable interest as the beneficiary of a new or existing life insurance policy, you may be able to make a larger gift than you may have ever thought possible.

Read on to discover how life insurance can help you make an efficient, easy-to-complete charitable gift.

Answers to Frequently Asked Questions

Q. Who should consider giving life insurance?

A. Policies originally purchased to provide for needs such as payment of mortgages, educational expenses, or estate taxes may no longer be needed for that purpose.

If your children are grown and financially independent, you have adequate retirement savings, your home is paid for and you no longer anticipate payment of estate taxes, one or more of your life insurance policies may now be “obsolete.” You can make excellent use of such policies by giving them or the proceeds they will eventually generate to one or more charitable interests.

Q. How do I go about making a life insurance gift?

A. There are a number of ways to name a charity to receive all or part of a life insurance policy you already own. The process can be quite simple and easily changed over time as circumstances change.

You choose to make an immediate gift of a life insurance policy by making a charity the irrevocable owner and beneficiary of a policy. You may be entitled to an income tax deduction based on the value of the policy or premiums paid. Check with your advisor for the amount of deduction to which you may be entitled.

Q. What if I still need the life insurance policies that I own?

A. Consider purchasing a new policy and naming a charity as owner and beneficiary. With this type of gift, the premiums you pay may be deductible as charitable gifts each year. In this way, through the payment of affordable annual premiums and reducing your taxes in the process, you arrange for an eventual gift that may be much larger than would be possible using other resources.

Another way to give using life insurance is to purchase a policy to replace other assets given to charity. For example, if you make a significant charitable gift of cash or other property, you might utilize the tax savings to purchase a life insurance policy to benefit your heirs at death. The amount you gave to charity may thus be replaced by the amount received by your heirs from the life insurance policy.

Q. Can you summarize the benefits for donors?

A. Among the advantages for the donor are the following:

- Convenience—It is a simple process to change the beneficiary or give complete ownership to a new or existing policy.
- Tax savings—Significant income, estate, and gift tax savings may be available by effectively planning your gift of a new or existing life insurance policy.
- Privacy—Unlike a bequest in your will, a life insurance policy gift is not a matter of public record.
- Flexibility—You can choose whether to name a charitable interest as a beneficiary of a policy you no longer need for its originally intended purpose, such as payment of estate taxes. Or you can purchase a new policy specifically for charitable use.

Q. What are the benefits to the charitable recipient?

A. For the charitable recipient, the benefits include:

- Amount of the gift—With a gift of life insurance, your favorite charitable interests may receive a larger

contribution than would be possible if you gave other assets.

- Avoiding probate—Your life insurance gift can be put to work faster because the charitable recipient receives the proceeds of the policy immediately, without having to wait for the estate to be settled.
- The full amount—Because life insurance gifts are generally not subject to probate costs, your charitable beneficiary receives all the proceeds you designate.

Conclusion

While different giving methods suit different personal circumstances, you may find that giving life insurance can complement your plans to provide for your own and your family's future financial security.

Always check with your advisors for availability and the exact amount of tax deductions and the implications of other applicable state laws and regulations before you complete a gift of life insurance.

Please let us know if we can provide additional information to you or your advisors about the many benefits of giving life insurance.

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