

## How You Benefit by Giving Life Insurance

### One of the Most Satisfying Ways to Donate

Life insurance can be a tool with many purposes. When your children were young, for example, you may have purchased policies to provide them with financial protection in case something should happen to you or your spouse. Have your circumstances changed since then? If so, you might be interested in one of the most satisfying uses for life insurance you no longer need – donating it to a charitable cause such as ours.

Here are three ways to arrange this gift.

#### 1. Give an Existing Policy

When you choose to name our organization as the beneficiary, you receive an immediate income tax charitable deduction for the lower of the policy's fair market value or your cost basis. If premiums are still payable on the policy, the fair market value is usually close to the cash surrender value. For paid-up insurance, the fair market value is the cost of replacing the coverage with a comparable policy.

You may stipulate to us that the ownership of the policy is your total charitable gift and you wish to no longer make future premium payments, allowing us to access the surrender value immediately for our cash needs.

An alternative, however, may be even more attractive. The policy can remain ours and will stay in force so that someday we receive the original face amount. You pledge to make yearly cash gifts, which we will use to pay the premiums. The gifts are deductible, and the policy is thereby kept in force with pretax instead of after-tax dollars for a lower actual cost.

#### 2. Retain Ownership of an Existing Policy with a Revocable Gift

If you would rather retain ownership of a policy for your own financial security or that of others, you have the following options.

- Name us as the sole or partial primary beneficiary of the policy, while you retain the right to change the beneficiary as owner of the policy.
- Name us as the contingent beneficiary, so we receive the death benefits only if your primary beneficiary predeceases you.
- Create a separate trust named to receive the death benefits, with terms providing for the financial support for one or more named loved ones for a specific term of years or for life, after which the trust terminates and its assets pass to us. These options do not produce a current income tax charitable deduction, but they can provide the satisfaction of knowing we will receive some benefits if certain events occur and the arrangement is left unchanged. Any amounts payable to us at your death will not be subject to federal estate tax\*.

### **3. Create a New Policy for Future Charitable Gifts**

In most states, you can enter into a new insurance contract with a charitable organization such as ours as the beneficiary and owner of the policy. Greater leverage is possible when two donors, usually husband and wife, purchase a two-life, second-to-die policy. With two lifetimes before payment of benefits, a desired future gift to us may be obtained for substantially fewer premium dollars. These policies are typically available even if one spouse is not insurable and are generally more economical than a policy only on the insurable spouse.

#### **Find Out More**

When considering any of these charitable arrangements, it is especially critical to have a skilled planning team with expertise in finance, law, taxes and life insurance. We would be happy to answer any questions regarding charitable giving that you or your advisor may have. Feel free to call us at no obligation.

*\*Currently federal estate taxes are repealed for all deaths that occur in the calendar year 2010. In 2011, estate taxes are reinstated in full at rates up to 55 percent. Congress has announced its intentions to change the laws and have estate taxes reinstated as soon as early 2010. What the final legislation will look like and when it might become effective is unknown at this point. Check back later for future updates.*

Copyright Dallas Foundation

The information in this Web site is not intended as legal advice. For legal advice, please consult an attorney. Figures cited in examples are for hypothetical purposes only and are subject to change. References to income tax apply to federal taxes only. Federal estate tax, state income/estate taxes or state law may impact your results.