

## Change Lives with Life Insurance

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

By naming our organization as both the owner and beneficiary of your life insurance policy, you may be eligible for a federal income tax charitable deduction equal to the lesser of the policy's fair market value or your cost basis. For a fully paid-up policy, the fair market value is generally determined by the cost of replacing the coverage with a similar policy.

**beneficiary** - an individual or organization designated to receive benefits or funds under a will or other contract, such as an insurance policy, trust, or retirement plan

**fair market value** - the price a willing buyer and a willing seller can agree on

**cost basis** - the original value of an asset, before its appreciation or depreciation

When you donate a life insurance policy to a charity during your lifetime, you may qualify for a federal income tax charitable deduction.

If the policy still requires premium payments, its fair market value is typically close to the cash surrender value. You may choose to stop making premium payments, allowing us to access the policy's surrender value immediately to support our mission.

Alternatively, you can choose to keep the policy active so that we ultimately receive its full face value. In this case, you would make annual cash gifts to cover the premium payments. These gifts are tax-deductible when you itemize, enabling you to maintain the policy with pretax dollars—a more cost-effective way to sustain your charitable impact.

## 2. Retain Ownership of an Existing Policy and Name Us as a Beneficiary

When you retain ownership of a policy but name a charity as the beneficiary, any amount payable at death will not be subject to federal estate tax. 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 federal 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.

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

In many states, you can establish a new life insurance policy naming a charitable organization like ours as both the owner and beneficiary. This approach can be a powerful way to make a meaningful future gift. Even greater impact can be achieved when two donors—often a husband and wife—purchase a two-life, second-to-die policy. Because benefits are paid only after the second lifetime, this type of policy allows you to create a significant future gift for substantially lower premium costs. These policies are often available even if one spouse is not insurable and are generally more affordable than a single-life policy.

### Find out more

When exploring charitable giving through life insurance, it's important to consult with a knowledgeable planning team experienced in finance, law, taxes, and insurance. We would be glad to answer any questions you or your advisors may have—with no obligation—and help you find the best strategy to meet your goals while supporting our mission.

We'd be delighted to help you design a charitable gift annuity that aligns with your personal goals while supporting our mission. To explore the benefits and options available, contact us today to start the conversation.

## Contact Us

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