CHARITABLE LEGACY

Making a Difference for Your Charity

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Giving to a charitable cause makes us all feel good.

Creating a legacy through charitable giving allows you to help shape the future of a cause, benefit, or organization that is important to you. It is a legacy that can touch the lives of others.

Generally, when you make a charitable donation, you write a check that may be tax-deductible. However, there is another way you can give that allows your favorite charity to continue to receive your support, even after you're gone.

Charitable Giving Using Life Insurance

There are a number of ways you can use a life insurance policy to benefit your favorite charity. They include:

- **Designating a charity as your policy's beneficiary**
  This is a very simple way to include a charity in your estate planning. You, as the policy owner, name the charity as the beneficiary of a portion of or the entire policy death benefit. Since you—rather than a third party—still own the policy, you can access the cash values or change your charitable designations at any time while your policy is in force. Additionally, your estate will receive an estate tax deduction for the portion of the death benefit given to the charity.
- **Gifting a policy to a charity**
  You can gift an existing policy to a charity. You may receive an income tax deduction in the year of the gift, as well as deductions for future premiums paid. However, if there are loans on the policy, the charitable deduction may not be allowed and the charity may incur a 100% excise tax when it pays future premiums. This transaction would also be subject to the three year rule, if the owner were to die within three years of the transfer, the policy would be included in the taxable estate.
- **Purchasing a life insurance policy for a charity**
  You can make the charity the owner and beneficiary of a life insurance policy. And since the charity owns the policy, the life insurance death benefit will not be included in your estate.

How Does it Work?

EXAMPLE: John Smith

John Smith wants to provide a significant gift to help a charity that he has volunteered much of his time to over the past several years. He has a life insurance policy that he has used to help fund the education of his two children. Now that both of them have their college degrees, John is considering three options in order to provide a gift to his charitable organization.

First, John can make the charity the beneficiary of part of his $500,000 life insurance policy. Since John would continue to be the owner of the policy, he would not receive an income tax deduction but his estate would receive an estate tax deduction for the portion that goes to charity.

On the other hand, John can gift his life insurance policy to the charity and can claim an income tax deduction in the year that the policy is gifted. By transferring ownership of the policy to the charity, John has given up control and any benefits from the policy his children might receive, but the policy proceeds may be excluded from his estate. The three year rule applies, if John were to die within three years following the gift of the policy, the policy would be included in John's estate.

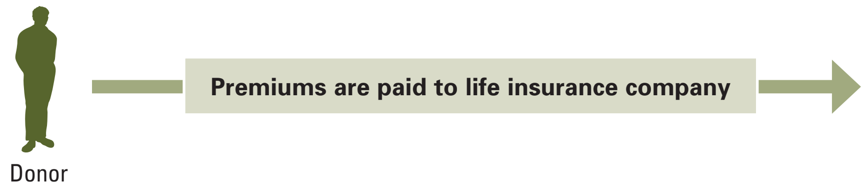
John can also allow the charity to purchase a new life insurance policy on his life. By allowing the charity to make the initial purchase of the policy, the policy proceeds will be excluded from his estate. In addition, John may receive an income tax deduction for cash gifts to the charity to make premium payments.

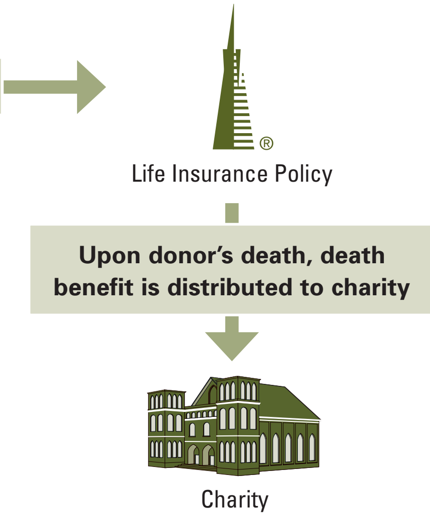
Making a Difference

Many people believe that they need to be wealthy in order to leave money to charities and make a difference. This is not true. By using a life insurance policy, you can leverage the amount you have available for charitable giving.

Creating a legacy of giving with life insurance can help you realize your goals of charitable giving today—as well as offer a better future for those who will benefit from your generosity.

Donor as Owner and Charity as Beneficiary



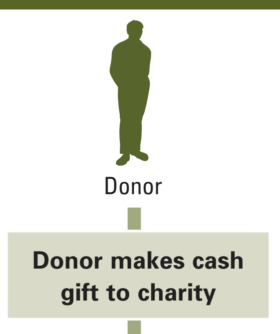


- The donor can designate a charity as the beneficiary of a life insurance policy from which he/she may no longer need some or all of the death benefit.
- Due to a retained interest (ownership) and the ability to change the beneficiary at any time, the donor will not receive an income tax deduction.
- As the owner, the policy death benefit will be included in the donor's estate but the estate will receive an estate tax charitable deduction for proceeds paid to the charity.

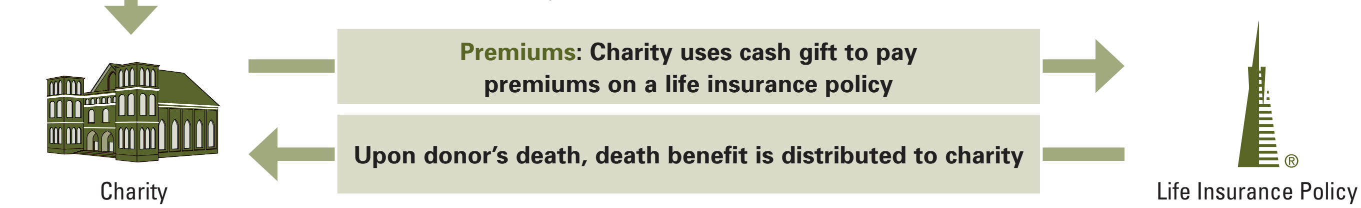
Gifting a Policy to Charity

- The donor can gift an existing policy to charity.
- The donor may receive an income tax deduction for the gift of the policy and any future premiums paid.
- If there is an outstanding loan on the policy, the charitable deduction may not be allowed.
- The three year rule applies. The donor must live for three years after the transfer to remove the life insurance policy from their taxable estate.

Charity as Owner and Beneficiary



- The charity can be the owner and beneficiary of a life insurance policy on the donor's life.*
- If the donor makes a cash gift directly "to" a public charity, the donor's income tax deduction will be limited to 50% of Adjusted Gross Income (AGI). The charity could use the donor's gift to pay premiums on the policy.
- Instead, the donor could pay premiums directly to the life insurance company, but as a "gift for the use of" the charity, the income tax deduction is limited to 30% of AGI.



*The donor should check his/her state insurable interest laws which would affect the income, gift, and estate tax deductions.

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