



*Gift & Estate Planning*

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Stewarding the Giver **and** The Gift™ >>

## **GIFTS OF LIFE INSURANCE**

Today it is not uncommon for people to have more than one life insurance policy. Multiple policies are purchased for a number of reasons, such as to provide financial security for family members, to pay for estate taxes and other expenses associated with the settlement of an estate, or as a savings plan.

Life insurance is a versatile financial planning tool; it can also be a convenient way to give to your favorite charities.

### **Benefits of gifting life insurance to charity**

- A gift of life insurance is economical and tax deductible in most cases.
- A gift of life insurance is usually easy to make.
- A gift of life insurance is flexible, thus it can meet a variety of charitable giving goals.
- A gift of life insurance is confidential; life insurance is not a matter of public record.
- A gift of life insurance is immediate. Proceeds are paid to the beneficiary in cash quickly after death and are usually not touched by the probate process.

### **Gifts of Existing Life Insurance Policies**

Perhaps you are interested in gifting life insurance to charity. You may first wish to review the policies you own and ask yourself these questions:

- Do you have a policy on a child who has now achieved financial independence?
- Have you paid off your home's mortgage and no longer need to maintain a mortgage life insurance policy?
- Do you hold a policy on a business that no longer exists?
- Did you purchase a policy with a beneficiary family member who has predeceased you?
- Do you own a policy that your parents bought for you as a child?
- Do you have a policy to provide you with retirement income that is no longer needed?

If you have excess life insurance, you may consider including it in your charitable giving plans.

## Ways to Support Focus on the Family through Life Insurance

1. Simply name Focus on the Family as beneficiary (primary, secondary, or final) of your existing policy.
2. Purchase a new policy naming Focus on the Family as owner.
3. Donate a paid-up policy by changing the owner to Focus on the Family.
4. Give a policy on which you are continuing to pay premiums by naming Focus on the Family as owner or irrevocable beneficiary.
5. If you are uninsurable, it is possible in some cases to purchase a policy on the life of another person and name Focus on the Family as owner or irrevocable beneficiary.
6. Assign life insurance policy dividends to Focus on the Family to make a convenient tax deductible gift.

## Tax Benefits of Gifting Life Insurance

<b>Gifting Option</b>	<b>Tax Benefit</b>
Donate a paid-up policy	You may deduct the approximate cash surrender value (in most cases)
Purchase a new life insurance policy	You may deduct the premiums paid if Focus on the Family is named owner
Give a policy on which you are continuing to pay premiums	You may deduct the approximate cash value (in most cases) and future premiums paid if policy is renamed with Focus on the Family as owner
Name Focus on the Family as primary, secondary, or final beneficiary of a policy you already own	Premiums are not deductible in this case since beneficiaries can be changed

## **Example #1**

After meeting with her professional tax advisor, Mrs. Smith purchases a new \$250,000 life insurance policy with \$200 monthly premiums. She names her favorite qualified charity as the policy owner and beneficiary. As long as she pays the premiums each month, she is entitled to take a \$2400 tax deduction on her annual federal income tax return. Since the owner and beneficiary of the policy is the charity, the policy proceeds will not be included in Mrs. Smith's estate, nor will they be subject to probate.

## **Example #2**

When Mr. and Mrs. Johnson had their first child, they purchased a life insurance policy as a savings plan to pay for their child's education. Unfortunately, the child passed away prematurely, and the couple had a policy they no longer needed. After meeting with their tax advisor, Mr. and Mrs. Johnson, as an ongoing memorial to their child, decided to assign ownership to their favorite qualified charity and continued to pay the policy premiums, which entitled them to certain tax deductions. This enabled the Johnsons not only to remember their child in a special way, but also to meet some of their own charitable giving goals.

## **Conclusion**

Since life insurance is something most families today own, it can be an extremely versatile tool to meet your charitable giving objectives. If you have questions about making a gift of life insurance, please do not hesitate to contact a member of Focus on the Family's Gift Planning team.

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