



# Questions & Answers About Life Insurance

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## A Convenient Way to Provide for Others

WHEN YOU CONSIDER making gifts for charitable purposes, you probably think about giving cash, or maybe stocks, bonds, real estate, or other property. But what if your investments are earmarked for retirement, the only real estate you own is your home, and you need your cash for current expenses?

Fortunately, there may be a way to make a gift without reducing the savings you need for current and future expenses. For example, by simply naming a charitable interest as the beneficiary of a new or existing life insurance policy, you can make a larger gift than you may have ever thought possible.

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

## Answers to Frequently Asked Questions

### **Q. Who should think about giving life insurance?**

**A.** Since many people already have one or more policies, gifts of life insurance can be a convenient option. Policies originally purchased to provide for children, augment retirement funds, protect a home mortgage, or provide for estate taxes may no longer be needed for that purpose.

If your children are grown and financially independent, you have adequate retirement savings, and your home is paid for, 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 a favorite charitable interest.

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

**A.** You can choose from a variety of ways to name a charitable beneficiary for a life insurance policy you already own. The process can be quite simple:

- **Primary beneficiary:** You can name a charitable recipient to be the sole beneficiary of the policy.
- **Co-beneficiary:** You name a charitable recipient to share in the proceeds with another charity or with others you choose.
- **Contingent beneficiary:** A charitable recipient receives the proceeds only if one or more other beneficiaries have already passed away.

These beneficiary options may be easily changed if necessary, as your circumstances dictate.

If you wish, you may instead choose to make an immediate gift of a life insurance policy by making a charity the irrevocable beneficiary and assigning all rights or incidents of

ownership to the charity. You may be entitled to an income tax deduction based on the value of the policy or premiums paid.

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

**A.** Consider taking out 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. And, by paying affordable annual premiums and reducing your taxes in the process, you establish an eventual gift that may be much larger than you are able to make 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 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 can thus be replaced by the benefits to your heirs from the life insurance policy.

**Q. Can you summarize the benefits?**

**A.** The advantages are many. For the donor, the benefits include:

- **Convenience**—It is a simple process to change the beneficiary or give all rights to a new or existing policy.
- **Tax savings**—Significant income, estate, and gift tax savings may be available by effectively planning your gift using life insurance.
- **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 original 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:

- **Size 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 estate taxes or 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 family’s future financial security. Such gifts can provide you with an efficient, affordable way to achieve your philanthropic goals.

Always check with your advisors for possibility and exact amount of tax deductions and other applicable state laws and regulations before you plan.

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