

Innovative Insurance Solutions

The "Next Wave" in Charitable Giving: The Unique Benefits of Using Life Insurance

By Steve Shorrock, ChFC

Sir Winston Churchill said, "We make a living by what we get but we make a life by what we give."

Although charitable giving programs can be funded in a number of ways, life insurance offers some unique advantages and flexibility. Programs are available that provide immediate and longer-term giving options. Because the death benefit of a life insurance policy is generally many times the premiums paid, gift dollars can be leveraged. Charitable gifts of life insurance can also reduce (or avoid altogether) some combination of income, estate, gift or capital gains taxes.

Below are several techniques that illustrate the benefits of using life insurance in charitable giving:

- Sell an existing life policy, through a life settlement, and donate the proceeds to a charity.
- Buy a new policy on your life or another family member and make a charity the owner or beneficiary.
- Give an existing policy to a charity, making a charity the owner of the policy.
- Change the beneficiary of an existing policy to a charity.
- Gift life insurance policy dividends to a charity.
- Direct a highly-valued taxable asset to a charity and replace the value of the asset with new life insurance.

To better illustrate the *power* of life insurance in charitable giving, here are two actual examples that we helped to achieve:

Example #1—Life Settlement

Our clients, a married couple both in their late 70's, made the decision they no longer needed or wanted their life insurance coverage. Their policy, which was a second-to-die contract, was purchased to offset future estate taxes at their death. As the government has steadily increased the value of the estate exempt from estate taxes, this couple no longer had an insurance need and decided to proceed with a life settlement. A life settlement is the sale of an existing life insurance policy to institutional investors, often providing a cash benefit to the insured's at multiples of the policy's cash surrender value. The couple also wanted to give to their charity now versus after their death.

The couple sold their \$250,000 second-to-die policy, through a life settlement, for \$105,000 and donated the proceeds to their charity. Not only did the charity receive a tax free donation of \$105,000, the couple was able to take a \$105,000 tax deduction! **A win-win for all parties involved!**

Example #2—Purchase of a New Single Premium Life Insurance Policy

Our widowed client had a bank Certificate of Deposit (CD) of \$100,000 that was ear-

marked to be given to charity at her death. The client wished to maximize the potential of this gift, while providing flexibility in case she needed the money. She also wanted to eliminate the taxes she paid each year on the interest earned on the CD. In order to maximize her gift to charity, provide future flexibility if required and eliminate the tax on her CD earnings, she purchased a single premium life insurance policy with a guaranteed death benefit of \$200,000 with no future premiums ever required. She

retained ownership of the policy, made the beneficiary the charity at her death and retained financial flexibility. In the future if cash is needed, she can take withdrawals from the policy's cash value, which continues to grow on a tax deferred basis. **A win-win for all parties involved!**

If any of these life insurance charitable giving programs fit your needs, please call LifeVentures Corp at 631-239-6655.

Northport resident Steve Shorrock is President of LifeVentures Corp, located at 291 Main Street in the heart of Northport village. Before moving into private practice, he served as a senior executive for a number of major companies, including a long tenure as the President and CEO of Bankers Life of New York plus CFO of the AmerUs Life Group and COO of Improved Funding Techniques, Inc., a private pension consulting firm. Steve has achieved insurance and financial planning designations of Chartered Financial Consultant (ChFC), Certified Long-Term Care Consultant (CLTC), and Fellow of the Life Management Institute (FLMI).

For a free consultation on the life insurance, long-term care insurance, annuity, 401(k) or life settlement needs of your family, business or if you would like a review of existing coverages, contact Steve today at 631-239-6655 or steve@lifeventurescorp.com

