Life Insurance Charitable Plan

For the individual who would like to make a substantial bequest to his or her favorite charity, but does not have sufficient assets to fulfill this desire, a charitable plan consisting of a life policy should be considered.

The policy owner (typically, the insured) can transfer an existing life insurance policy to the charity or contribute the funds necessary to purchase a new policy. Additional tax-deductible contributions can be made to help the charity pay the annual premium. This not only spreads out the amount to be given, but allows one to experience the feeling that comes from sharing with others on a more frequent basis.

You Receive	Gift of Policy[1] →	Charity Receives
• An income tax deduction • A feeling of satisfaction		• A large sum in the future

If circumstances change, the insured can discontinue making the gifts and the charity will either continue the payments or surrender the policy for the cash values.

Note: Merely naming a charity as a beneficiary of a policy will not produce an income tax deduction, since the owner (insured) still has the power to surrender the policy.

The income tax deduction is limited to the lesser of:

- Donor's cost basis (premiums paid less dividends received in cash and policy loans outstanding); or
- The policy's value, which varies with type of policy.
    - Ordinary life: The interpolated terminal reserve (roughly cash value) plus any pre- paid premium.
    - Paid-up policy: Present cost of a comparable policy at the donor's current age.
    - New policy: The gross premium just paid.
    - Term insurance: The portion of premium that is still unearned by the insurer.

1. This is generally funds to purchase a new policy and a small annual contribution to pay premiums.

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