How To Make A Gift To Fair Oaks Presbyterian Church

LIFE INSURANCE

When you first bought a life insurance policy, you had a purpose in mind—probably to help ensure the financial stability of your family should something happen to you or your spouse. Have your circumstances changed since then?

Life insurance can be a tool with many purposes. For example, it can provide liquidity for paying taxes and other expenses at death. But, believe it or not, some of the most satisfying uses for life insurance policies are connected with charitable giving!

If you have an old life insurance policy you no longer need, you might contribute it to Fair Oaks Presbyterian Church. Purchasing a new policy and naming the Church as beneficiary is another possibility. This often makes a significant future gift feasible and affordable, especially for younger donors.

Perhaps you are considering a sizable bequest to the Church, provided your family's future inheritance is not affected. Life insurance can play a part in meeting this goal, too, by replacing for your heirs the amount donated.

The versatility of life insurance makes revisiting its uses a good idea, and that's what this publication will help you do.

Gift of an Existing Policy

You may own an insurance policy that has a substantial cash surrender value, yet the original purpose for the protection no longer applies. The policy might have been purchased initially to provide financial security for a spouse now deceased, to educate children now grown or for liquidity to pay death taxes when liquid assets were in short supply. This policy can be a sort of hidden asset, available to be used for your philanthropic purposes.

If you choose to name the Church as the beneficiary of a policy that is not paid up and also assign all incidents of ownership of the policy to us, several good things happen. You receive an immediate income tax charitable deduction for the "interpolated terminal reserve" value of the policy. This is an updated cash surrender value, a figure available from the insurer.

If you itemize deductions on your tax return, your actual income tax savings depends on your marginal tax rate. A person who does not normally itemize may find the additional charitable deduction boosts his or her total itemized deductions above the standard deduction.

For a paid-up policy, the deduction is the cost of replacing the coverage with a comparable policy. In either situation, the tax deduction cannot be greater than your net investment in the policy (total premiums paid less any dividends received). The charitable deduction is reduced by any outstanding balance of a policy loan, which may also be considered additional taxable income.

Use of Beneficiary Clause as a Revocable Gift Arrangement

Other options are available if you would rather retain ownership of a policy as an asset for your own financial security or that of others. They include the following.

- naming the Church as the only or a partial primary beneficiary of the policy, with the right to change the beneficiary clause as owner of the policy;
- naming the Church as the contingent successor beneficiary, receiving the death benefits only if a named individual beneficiary predeceases you;
- creating a separate trust named to receive death benefits, with terms providing first for financial support of one or more named individuals for specific terms of years or for life, after which the trust terminates and its assets pass to the Church;
- naming the Church as the residual beneficiary of an annuity settlement option available under some policies.

If you choose to name the Church as the beneficiary... You receive an immediate income tax charitable deduction

A new life insurance policy can provide a means to make a significant future gift to the Church at a relatively low cost.

These options do not produce a current income tax charitable contribution deduction, but they can provide the satisfaction of knowing the Church will receive some benefits if certain events take place and the arrangement is left unchanged. Any amounts payable to the Church at your death will not be subject to federal estate tax.

New Policy for Future Charitable Gifts

Many of the Church's regular donors who would like to make a significant future gift to the Church at a relatively low cost can do so through a new life insurance policy. With increasing longevity, older persons can now purchase insurance at more affordable premium costs than were possible in the past. Retired individuals enjoying a high standard of living can use some annual discretionary income to perpetuate their support of the Church's work, without depleting their financial reserves or reducing the projected inheritances of family members.

Greater leverage is possible when two donors, usually wife and husband, purchase a two-life, second-to-die policy. With two lifetimes before payment of benefits, a desired future gift to the Church can be obtained for substantially fewer premium dollars. These policies are available even if one spouse is not insurable and are generally more economical than a policy only on the insurable spouse.

What About Term Insurance?

Term insurance, such as coverage by a group policy through your employer, has no cash value, so assigning ownership would have no tax advantage.

When term coverage is provided by your employer, the cost attributable to any coverage in excess of $50,000 may be included in your taxable income. However, if the Church is the sole beneficiary under the policy, such cost is not included in your taxable income, nor will benefits be part of your estate.

Term insurance can be used to guarantee the payment of a substantial pledge of gifts to the Church payable over a period of years, without potentially obligating your estate. The term life insurance policy on you, the donor, can be reduced annually as installments are paid on the pledge, with the policy dropped when the gift is complete.