

Gifts of Life Insurance

Have you ever heard of giving a Life Insurance Policy to your church? Decades ago, it was common for Individuals to secure small life insurance policies (\$1,000 to \$5,000) that were purchased over time (\$1 to \$2 per month) in order to provide for final burial costs. You may actually own one of those policies or know someone who does. Burial costs have increased significantly over the years. As a matter of fact, recently published figures indicate the average costs for a funeral and burial range between \$8,500 and \$12,500. The old, small life insurance policies may no longer be adequate to fulfill their intended purpose. If such policies are no longer needed by the owner, then these policies can be donated to your church!

The donation process involves notification of the insurance company. The policy owner indicates their desire to donate the policy. This will require a change in the ownership and beneficiary status of the policy. The insurance company will send the proper forms, which must be completed and returned.

Once the change is completed, then your church is both owner and beneficiary. The donor qualifies for an income tax deduction equal to the amount of the policy's cash surrender value at the time of the transfer of ownership.

With gifts of life insurance, your church must make a decision. One option is to hold onto the policy until the donor passes away. At which point, the church will receive the death benefits of the policy. The other option is to surrender the policy for immediate cash. Upon completion of the policy surrender process, which involves completion of another form, the church will receive the cash value of the policy.

Teaching your members about using these types of policies as gifts to your church enables the donor to make a substantial gift without using current income.

You could also teach your members about Charitable Life Insurance Policies. They work very much like standard life Insurance policies. An individual secures a standard life insurance policy based on their life expectancy, health, etc. The individual pays premiums to the insurance company; benefits are paid to the church upon the individual's death.

What makes the insured individual a donor with regard to a charitable life insurance policy is the fact that when the policy is secured, the insured names your church as both owner and beneficiary of the policy. The use of Charitable Life Insurance policies is a great way for donors in their 40's and 50's to leverage relatively small amounts of current money into substantial future gifts.

Premium payments can be made directly to the insurance company or to the church if such an arrangement is made. If premium payments are made directly to the insurance company, then the premium payments are tax deductible, up to the 30% Donor Ceilings as described in Internal Revenue Code Section 170(b)(1)(A). If arrangements are made for the church to make the premium payments directly to the insurance company and the donor to reimburse the church, then those payments are deductible up to the 50% Donor Ceilings as described in Internal Revenue Code Section 170(b)(1)(A).

Donate Life Insurance; it is simple to do. It is a low cost option to leverage larger gifts. Gifts of life insurance are very effective!

Please Make a Bequest to Your Church Through Your Estate Plan!

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