

## Gifts of Life Insurance

Have you ever heard of giving a Life Insurance Policy to your church?

You may actually own a policy purchased many years ago intending to cover your burial costs. 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 because other provisions have been made, then these policies are prime candidates for donation to your church!

The donation process involves contact with the insurance company. The policy owner indicates their desire to donate the policy. This requires 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. Once the change is completed, 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 the policy until the donor passes away. In this option, the church would need to obtain a copy of the donor's death certificate, and forward it to the insurance company. Upon receipt of the death certificate, the insurance company will distribute the policy's death benefits to the church.

The other option is to surrender the policy immediately. Upon completion of the policy surrender process, which involves completion of another form, the church will receive the current cash value of the policy. The decision being made by the church is whether it wants cash now, or whether they want cash later. Input from the donor might assist the church in its decision-making process.

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.

**Charitable** Life Insurance Policies work very much like standard life Insurance policies. An individual secures a standard life insurance policy based on their life expectancy, health, etc. Insurance policy premiums are paid to the insurance company; benefits are paid to the church upon the individual's death. The difference between this type of policy and the one previously mentioned is that it is secured with charity as the foremost purpose of the policy as opposed to those older policies that were secured for other purposes such as burial costs, child's inheritance, etc.

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 church is named as the 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.

A decision regarding life insurance premium payments must also be made. In the case where the donor chooses to be the owner of the policy and name the church as beneficiary, then the donor must make premium payments directly to the insurance company. In such a scenario, the premium payments are tax deductible, up to the 30% Donation Ceilings as described in Internal Revenue Code Section 170(b)(1)(A).

In the case where the church agrees to be the owner of the policy, then the church makes the premium payments to the insurance company. The donor would then reimburse the church for the premium payment made. In this scenario, reimbursements to the church are deductible up to the 50% Donation Ceilings as described in Internal Revenue Code Section 170(b)(1)(A).

Policy ownership is the key to this decision. The owner of the policy makes the premium payments. Donate an existing Life Insurance policy to your church, or take out a new charitable life insurance policy. It is simple to do. Making a gift of life insurance is easy, safe and a very effective way to make a substantial gift to your church for a relatively small amount of money.