



CHARITABLE GIVING

Charitable Gift of a Life Insurance Policy

PRESENTED FOR

PRESENTED BY

CHARITABLE GIVING

IMPORTANT INFORMATION

This information is provided by American General Life Insurance Company (AGL) and The United States Life Insurance Company in the City of New York (US Life), members of American International Group, Inc. (AIG).

The information contained in this document is general in nature and intended for educational purposes only and is not a comprehensive analysis of the topic presented. The information may be subject to change and should be verified for accuracy and reliability (e.g., federal income tax statutes, rulings, etc. that may have changed since publication) and may be subject to differing legal interpretations. While the publisher has been diligent in attempting to provide accurate information, the accuracy of the information cannot be guaranteed. No representation or warranty, express or implied, is made by AGL, US Life and its affiliates as to the completeness of the information in this document. AGL and US Life shall not be liable for any loss or damage caused by the use of, or reliance on, the tax, accounting, legal, investment or financial items contained in this material.

The Company, its financial professionals and other representatives are not authorized to give legal, tax or accounting advice. For advice concerning your situation, consult your professional attorney, tax advisor or accountant.

To ensure compliance with requirements imposed by U.S. Treasury Regulations, we inform you that any tax advice contained in this document (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

©2020. All rights reserved.



CHARITABLE GIVING

CHARITABLE GIFT OF A LIFE INSURANCE POLICY

SUMMARY

WHY MAKE A LIFE INSURANCE GIFT?

An insurance policy has the potential to create a substantial, cost-effective gift to charity through the policy's death benefit. The result is a gift that is much larger than the donor may otherwise have been able to make.

Also, unlike a charitable bequest made in a will, a life insurance gift does not become a matter of public record and is made without the delays of probate.

Premiums paid by the donor after a lifetime gift of a policy to charity are deductible for income tax purposes when the donor itemizes. When the charity is named as the policy beneficiary, the death proceeds paid to the charity are deductible for federal estate tax purposes.

HOW CAN A DONOR MAKE A GIFT OF LIFE INSURANCE?

A donor has three basic choices in making a charitable gift of life insurance:

- ◆ The donor gives an existing policy to charity. In this case, the donor assigns all incidents of ownership to the charity, making the charity the policy's owner and beneficiary.
- ◆ The donor applies for a new life insurance policy and designates the charity as owner and beneficiary. Although a majority of states recognize a charitable organization as having an insurable interest in a donor, an individual considering this gift should have an attorney check the applicable state law pertaining to insurable interest.
- ◆ The donor names the charity as the beneficiary of a policy that the donor continues to own.



CHARITABLE GIVING

CHARITABLE GIFT OF A LIFE INSURANCE POLICY

WHAT ARE THE TAX CONSIDERATIONS?

A charitable gift of an existing life insurance policy can generate an income tax charitable deduction provided the donor assigns all rights. When considering a charitable gift of an existing policy, the donor has two choices:

- ◆ Make an irrevocable gift of the policy to charity. The donor qualifies for an income tax charitable deduction equal to the value of the policy or the donor's cost basis in the policy, whichever is less.
- ◆ Name the charity as beneficiary while retaining ownership and control of the policy. No income tax deduction is available for this gift. At the time of the donor's death, the policy proceeds will be included in the donor's estate and the donor will receive an estate tax charitable deduction for the money that goes to charity.

If the gift is a new policy, the donor should first transfer funds to the charity. The charity then becomes applicant, owner and beneficiary of the new policy issued on the life of the donor. The donor qualifies for an income tax deduction for the initial premium amount paid by the donor. Also, the death proceeds of the policy won't be included in the donor's estate at death because the donor never held any incidents of ownership.

WHAT'S THE CONCLUSION?

Because death benefits paid to a charity at the donor's death typically far exceed the premiums paid for the policy, life insurance can create a gift that is much larger than might otherwise have been possible. A gift of life insurance permits a donor to make a generous charitable contribution while retaining other assets.



CHARITABLE GIVING

CHARITABLE GIFT OF A LIFE INSURANCE POLICY

