



## CHARITABLE GIVING

Life Insurance as Alternative to Charitable Bequest

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### LIFE INSURANCE AS ALTERNATIVE TO CHARITABLE BEQUEST

## SUMMARY

### LIFE INSURANCE: SWITCHING ROLES

It can be a good thing when a valuable life insurance policy outlives its original purpose. A policy originally intended to provide for minor children, for example, can provide additional benefits after the children are grown.

Life insurance can play a particularly useful role in allowing a donor to make a significant gift to a favorite charity. By naming the charitable organization as beneficiary of an existing policy, the donor can often provide a more substantial gift than would have been possible using other assets.

### ADVANTAGES OF LIFE INSURANCE GIFTS

A charitable gift of life insurance avoids the costs and delays of probate. By avoiding probate, the donor can make a gift that is not part of the public record. This is an advantage over a charitable bequest, for example, which becomes part of an estate filed in the probate court and available for public inspection. Another advantage is that, since they aren't subject to probate, charitable gifts of life insurance are less likely to be contested by disgruntled heirs.

Making a charitable gift of life insurance can be as simple as completing an insurance company form to designate the charity as a beneficiary. In contrast, a charitable bequest requires drafting and executing a valid, legal will.

The donor's designation of the charity as beneficiary creates a substantial gift of the policy proceeds. This means that the donor is often able to make a much larger charitable gift using life insurance than would have been possible using other assets.



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Making a charitable gift of life insurance allows the donor to retain other assets for family members, such as retirement funds, real estate, tangible personal property or a family business interest. On the other hand, when assets that are unattractive to heirs are earmarked for charitable bequests, estate owners can provide life insurance benefits to heirs that will replace the value of assets left to charity.

### THE TAX PICTURE

An outright gift of a life insurance policy offers income tax advantages that are not available by making a charitable bequest with the same policy. For example, an outright gift of an existing policy during life can qualify for an income tax charitable deduction. And contributions made to charity to pay subsequent premium payments can also qualify for a deduction.

