

Giving the Gift of Life Insurance

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Charitable organizations, and those who support these organizations, are becoming aware that the government may not continue its current level of support, and that the burden of support is being shifted to the private sector. The charitably-inclined individual's support helps to maintain a consistent cash flow to carry out both day-to-day commitments and long-term goals.

Many individuals have expressed a special interest in the future welfare of different charities. Often, the reason for this special interest is personal, but individual reasons range from heartfelt concern over an organization's financial well being to a conviction that support of a charity can make a difference. On the other hand, some people hesitate to contribute because they assume the amount they can afford to give might not be significant enough to make much of a difference. This concern is unfounded; most representative of charitable organizations would agree that even the most humble gift is appreciated and provides help. The hope that the gift will accomplish as much as possible, however, is not unfounded. This is why the gift of life insurance can be so effective.

The gift of life insurance is a practical and affordable way to make charitable contributions. Donors need not be wealthy to make a significant and meaningful gift. Typically, a donor applies for a permanent life insurance policy on his or her own life and names the charity both owner and beneficiary of the policy. Since the charity is the owner, the donor's annual gift of the premium payment is tax-deductible.

Throughout the donor's lifetime, the charity will have access to the cash value of the donated life insurance policy. If the donor needs to discontinue contributions at some point, any accumulated policy values can still provide a worthwhile gift. Additionally, a policy benefit is available that can prevent the plan from lapsing in the event of the donor's total disability.

Under the current law, the charity receives the proceeds on a tax-free basis upon the donor's death, or when the policy matures, whichever comes first. Furthermore, no complex probate procedures will be required to settle the claim, and the donor's estate will not owe gift or estate taxes on the amount of the claim.

The gift of life insurance can be a "win-win" proposal for both the donor and the charity. Through the charitable gift of life insurance, even modest annual gifts can have a meaningful and substantial impact. Donors can affect good works beyond their own lifetime and contribute to society in a more powerful way.