



## Charitable Giving with Life Insurance

One of the many ways people can support the charitable organizations they care about is through the use of life insurance. Life insurance provides an efficient way to provide a large charitable benefit for a relatively low cost. There are a few different ways to accomplish this but I will address two very common ones.

The first is simply naming the charity(s) as the beneficiary of a life insurance policy to receive all or a portion of the death benefit proceeds upon the donor's passing. There are a couple advantages to this. First, it will reduce the donor's estate by the amount of the death benefit, which can save thousands of dollars in estate taxes for upper-income

taxpayers. Naming a charity as a beneficiary also ensures the privacy of the transaction, which can be important for donors who wish to keep their gifting intentions secret from their families or other heirs. Transfer of assets from an insurance contract is also absolutely incontestable, thus rendering anyone contesting the estate settlement powerless to stop it. Furthermore, the donor remains in a position to change the beneficiary prior to his or her death.

The cost of providing a large cash benefit to the charity upon the donor's death is the premium paid each year during the donor's lifetime. If the donor chooses to stop paying the premiums, the charitable organization can choose to continue paying the premium or can allow the policy to lapse.

A second approach is to donate an existing policy to the charity. Just like naming the charity as a policy beneficiary, gifting a life insurance policy can greatly reduce the donor's taxable estate. But there is an additional advantage to the donor in that they can receive a current income tax deduction of the policy's fair market value, and any premiums paid after the date of the gift will be deductible as well.

For donors who want to leverage their cash donations to charity, life insurance provides an excellent means to accomplish this. The donor can provide a substantial gift to the charity at some point in future at an affordable cost today. It can also be a useful way to dispose of life insurance policy that is no longer needed. Donating the policy or changing its beneficiary designation to a charity can give new purpose to that policy and benefit the donor as well as the charity.

Of course, any charity chosen must also be a qualified 501(c)3 charity that meets the IRS definition of a nonprofit organization. For more information on the use of life insurance as a gifting tool, consult your insurance agent or financial advisor.

To facilitate your donation of stock to the Maritime Museum, please contact Executive Director Greg Gorga at [ggorga@sbmm.org](mailto:ggorga@sbmm.org) or call 805-456-8742.