



# **Gifts of Life Insurance:** *What You, Your Donors, and Board Members Need to Know*

*Presentation for:*  
**Washington Planned Giving Council**

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**July 12, 2010**



# Outline

- Should we or shouldn't we?
- Leveraging gifts of smaller donors
- We've got it, now what?
- Insuring your donors
- How to tell the *good* from the *bad* from the *ugly*
- Q&A



# Should We or Shouldn't We?

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## Acceptance Policy:

- Have a policy in place
- *'Turning Pennies into Dollars for Charities'* – Trust & Estate Article May 2010



# Should We or Shouldn't We?

## **Positives:**

- **Life insurance can be a particularly versatile and valuable asset to give to charity.**
- **A gift of life insurance can allow a donor to make a more substantial contribution than would otherwise be possible.**
- **Leverage is increased due to income tax charitable deduction. For example, a \$2,500 policy premium only costs \$1,750 for a 30% tax bracket donor.**



## Positives (Cont'd)

- **A charity owning a life insurance policy has the option of accessing the policy cash value with loans or withdrawals, or holding the policy for the death benefit.**
- **A life insurance policy requires less administration by the charity than many other assets, like real estate or business interests.**
- **The death benefit of a life insurance policy owned by a charity is not income or estate taxed nor subject to delays and the expense of probate.**



# Shouldn't We or Shouldn't We?

## **Pitfalls:**

- **Further premiums due by donor.**
- **Will donor make premium contributions if additional payments are required in the future?**
- **Will policy performance actually support that premium structure?**
- **How is the financial stability of the insurer?**



# Leveraging Gifts of Smaller Donors

- **Recognition**
- **Campaigns**



# Recognition

- **Recognize donors based upon:**
  - policy face amount
  - cash value
  - gifts of annual premium



# Campaigns

- **Why?**
  - **Involves younger donors**
  - **Establishes a pattern of giving**
  - **Allows larger perceived gifts**



# We've got it, now what?

- **Key Questions:**
  - **Keep It or cash it in?**
  - **Are any future policy premiums due?**
  - **Financial stability of the Insurance Company**
  - **Performance history of the Insurance Company**



# Insuring Your Donors

- **Insurable Interest**
- **CHOLI**
- **Federal Study - Report to Congress on Charity-Owned Life Insurance published on April 8<sup>th</sup>, 2010**

source: <http://www.pgdc.com/print/960396>



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