

CAPITAS FINANCIAL CLIENT PROFILES

Charitable Giving

Potential Client:

Clients with asset values rising | Charitable planning can be an attractive planning opportunity

OVERVIEW

Your client may already own life insurance or be aware of its primary use - providing money to their family or other beneficiaries when they are no longer here. Once a need for the death benefit has been established, there are other benefits to consider.

In the fall of each year, financial advisors often address year end planning, including opportunities for charitable giving. The following are four planning strategies for clients to consider when using life insurance to leverage impact to charities.

CONSIDERATIONS

1. Name the charity as the policy's beneficiary, client will not receive an income tax deduction but will retain control of changing beneficiaries later with generally no estate tax consequence.
2. Gift existing policy to charity, client transfers ownership of the policy to the charity. This allows for maximum allowable deductions using the lesser of fair market value of the policy or its cost basis. Charity must have an insurable interest in the client under applicable state law.
3. Allow charity to purchase a new policy and client makes premium gifts, this allows the client to deduct generally the annual premium payment immediately and all subsequent premium payments made. Charity is the owner and has all rights of the policy. Full underwriting will be required and there are common underwriting guidelines for charitable policies.
4. Use Life Insurance to replace gifted wealth, client may want to give other assets to a charity either during life or at death. In these situations a client may want to purchase life insurance to replace the amount of wealth given to the charity.

- a. Hypothetical Example: Client wants to gift an IRA value (\$500,000) to a charity, the client then replaces that IRA value by buying life insurance (\$500,000 death benefit) in the same amount to pass to their heirs.

Charitable Giving may be top of mind for many clients. Financial Advisors should consider discussing with prospective clients the use of life insurance within an overall gifting strategy to enhance their charitable giving plans.

NOTE: With complex strategies, a CPA with tax knowledge should be consulted.

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