

**Not only is Life Insurance an important financial planning tool, it can also be a creative and convenient way to fund your favorite kingdom causes.**

There are several advantages to giving through Life Insurance policies, such as:

- A gift of Life Insurance can be both economical and tax deductible
- Typically, it is not difficult to make a gift of Life Insurance
- Life Insurance gifts are immediate, distributed soon after death, and not usually subject to probate.

## **Gifts you can make through Life Insurance**

### **Existing Policy (for which premiums are paid up)**

You can name a charity as the beneficiary of Life Insurance policy for which no premiums are due; however, you would not receive a charitable deduction in this case. You can also gift the policy by naming the charity as the owner of the policy; in this case, you do receive a current income tax deduction. Since no premium are due in either scenario, the charity does not have any financial obligation to pay premiums to the insurance company.

*Example of gifting an existing Life Insurance policy.* Several years ago Bill and Brenda took out a Life Insurance policy on Bill. With four growing children, and Bill being the primary bread winner, it made sense at the time to have this policy to ensure that the family's need would be met if something happened to dad. Today, however, the kids are all grown, and there is no longer a need for the Life Insurance policy. At a recent family gathering, everyone agreed that the paid-up policy should be given to Bill and Brenda's favorite ministry.

### **Existing Policy (for which premium are still payable)**

You can name a ministry close to your heart as the beneficiary of a Life Insurance policy by changing the beneficiary designation on the policy. You are still the owner of the policy and you still have to pay the premiums. Upon your death, the charity you selected receives the proceeds from the insurance. You retain the flexibility to change the beneficiary during your lifetime and you do not receive a current charitable deduction.

You could also choose to transfer the ownership of the policy. This creates a current income tax deduction. However, the charity is now responsible for paying the premiums. You make a contribution to the charity to pay the premium and you receive an additional deduction for this contribution.

### **New Policy**

When you purchase a new Life Insurance policy, your payments (the premiums) create future financial strength for the Lord's work without diminishing your own. All you do is take out a new policy on your life, naming a favorite ministry as both the irrevocable owner and beneficiary. The premium notices will be sent to the ministry and you make a donation to offset those payments. Your gift is tax-deductible.

*Example of gifting a new policy.* Helen takes out a \$300,000 Life Insurance policy, with monthly premiums of \$225. She names her favorite ministry as the policy owner and beneficiary. The ministry has the responsibility to pay the premiums each month—Helen contributes \$225 to the ministry each month and the ministry pays the premium. Helen receives an annual tax deduction for her monthly gifts totaling \$2,700 (12x\$225). Since the ministry is both the owner and the beneficiary of Helen's policy, the policy proceeds will not be included in Helen's estate or subject to probate.

Christian Reformed Home Missions is a member of Barnabas Foundation. Their goal is to help caring Christians make tax-wise decisions and strengthen support for ministries close to their hearts.

*This is general information and is not intended to be tax or legal advice. Please consult your own advisors.*

