

Think about this: “Your client can give his/her favorite charity a substantial gift with life insurance”

**Charitable giving is an essential part of the American Society. A client who is inclined towards charitable organizations can leave the life insurance proceeds to the charity on his/her death. A client might lack the assets to make a substantial gift, as desired, to charity or might want to leave available assets to heirs, yet do something for his/her favorite charity. In both cases, life insurance can be used for estate planning purposes.**

Most charitable organizations have a “**Planned Giving**” department that helps the client with setting up charitable gift/s.

**Here is how it can be arranged:**

1. The client makes a lump sum donation or can make periodic payments to the charitable organization.
2. The charitable organization buys a life insurance policy with client as insured and pays the annual premium from the donation received.
3. The charitable organization names itself as beneficiary of the policy.

An existing life insurance policy that has a substantial cash surrender value but no longer meets the original purpose of protection can also be gifted to a charitable organization. Deduction for income tax purposes will depend on the status of the policy at the time of the gift (such as paid up policy or premium paying policy).

**How does this benefit the client?**

1. The client can deduct the charitable donation from his/her federal income taxes(subject to certain limitations, type of charitable organization and tax statues)
2. The client passes on a larger sum of money on death to the charity that probably would not have been possible when living.
3. This could also result in reduction in estate taxes, as applicable.

**The above information is limited in scope and can only serve as a guide to using life insurance for charitable gifts.** Benefit of charitable giving differs from case to case and it has to be noted that financial planners are not attorneys or tax advisors. The client should be advised to consult professionals such as tax advisors, attorneys, trustees, etc as applicable.

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