

Life Insurance Options for Charitable Donations to your Church

Charitable gifts of life insurance are a good option for some donors, as they are easy to do and tend to occur minimal current costs.

There are five main ways donors can use life insurance to make a donation to your church:

- Transfer ownership of an existing life insurance contract to the church.
- Purchase a new life insurance contract and name the church as the owner and beneficiary.
- Designate the organization as the sole beneficiary of a life insurance contract they continue to own.
- Designate the church as a co-beneficiary of a life insurance contract.
- Name a charity as a contingent beneficiary, providing the charity with the death benefit in the event that the primary beneficiary predeceases the donor.

Tax Deductibility

As in all cases, donors should consult their own attorneys and/or accountants to determine the actual tax deductibility of any gift. In many cases life insurance gifts may be tax-deductible. To be eligible the ownership in the life insurance policy must be transferred to the church and the church must be the beneficiary. The transfer also must be irrevocable.

If a donor gives an existing insurance contract to a church, the donor may receive a tax deduction for the value of the contract when ownership is assigned to the church. Additionally, the donor may also receive deductions for any future premium payments.

If a donor purchases a new contract naming the church as beneficiary, and the donor makes an absolute and irrevocable assignment of the contract to the church, the donor may receive a charitable income tax deduction for each premium payment made on the contract. If the church becomes the owner of the contract, the proceeds will be excluded from the donor's estate.

If a donor designates a church as the beneficiary of a life insurance contract that he/she/they continues to own, the donor will not receive an income tax deduction for the gift but will receive a charitable estate tax deduction for the amount of the death benefit passing to charity.

Suggested Church Policies for Life Insurance Contracts

1. We accept gifts of life insurance policies, including whole life, variable, and universal life policies, which meet the following criteria:
 - The Church is designated as the owner and the beneficiary of the policy
 - The policy is either paid up or, if not paid up as of the date of the gift, meets the following criteria:
 - i. Has a minimum face value of \$10,000;

- ii. Has a payment schedule not to exceed 12 years and which assumes an interest rate not to exceed one percent below the prevailing prime interest rate; and
 - iii. Requires a written pledge of a charitable contribution from the donor to the church in a total amount that equals or exceeds the total premiums due and with pledge payments scheduled that equal or exceed each policy premium payment as that payment becomes due. This written pledge must also acknowledge the resulting right of the church to cash in the policy and apply the proceeds of the same for the benefit of the church or a specific church ministry as the vestry deems appropriate, giving due consideration to the donor's intent.
- 2. Gifts of paid-up life insurance are preferable, as these are completed, non-contingent gifts. However, designations of contingent term life insurance policies will be accepted by the church under certain circumstances. Donors are encouraged to name the church as the exclusive beneficiary for life insurance policies that have been purchased on their lives. The church will also accept the naming of church as a partial interest beneficiary of life insurance policies that donors have purchased on their lives.
- 3. The church does not accept gifts from donors for the purpose of purchasing life insurance on the donor's life.
- 4. The church gives full recognition credit for the face value of a life insurance policy given to the church if the policy is fully paid-up and the insured is age 55 or older.
- 5. The church must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its cash surrender value upon receipt. If the donor contributes future premium payments, the church includes the entire amount of the additional premium payment as a gift in the year it is made.
- 6. If a policy is not fully paid up and the donor does not elect to continue making gifts to cover premium payments on the life insurance policy, the church may:
 - a) Continue to pay the premiums;
 - b) Convert the policy to paid-up insurance; or
 - c) Surrender the policy for its current cash value.

Once a policy is accepted, the life insurance holding will be reviewed annually to determine whether it is best to continue to pay the premiums, convert the policy to paid up insurance, surrender the policy for its current cash value, or change the underlying investment structure. To record a life insurance policy as a gift the church will ask for the following information: name of donor, name of insured, insured's date of birth, date of gift, face value of policy, type of policy, cash surrender value, timing and amount of premium payments, name and address of insurance company and the account number of the policy. A copy of the contract will be secured outlining the preferred billing procedure for the premium payments if applicable.