GIFTING OF LIFE INSURANCE
TO A PUBLIC 501c3 CHAIRTY

THE WANT

This concept is for people who would like to make a significant gift to 501c3 charity(ies) but don't have adequate current assets to do so or they have the assets, but don't want to disinherit their heirs.

THE SOLUTION

A life insurance policy is bought on a spouse, usually on the least costly to insure. The charity is named owner and beneficiary, which makes the premiums tax deductible. The insurance leverages a small premium to create a significant future benefit to the charity, without a dollar for dollar disinheritance of the heirs. This type of giving is often done for churches, using part of a tithe as premium.

In the alternative, the policy can be owned by the donor, but with the charity as beneficiary. This loses the tax deductibility of the premium but does retain the ability to make changes in the policy, such as changing the charity beneficiary or face amount. The policy death benefit can also be split between multiple charities. If the new tax law keeps the premiums from being deductible, due to the increase in the standard deduction, then this method would be preferable. However, if the donor is receiving un-needed RMDs from his IRA, the premium can be directly transferred from the IRA to the charity, so the RMD would not be reported as a taxable distribution. The charity would own the policy, so the donor would lose the right to make changes to the policy. However, the premium amount and frequency would still be at the donor's discretion.