GIFTING TO A CHARITABLE
501c3 TRUST USING LIFE INSURANCE

THE WANT

Affluent people often want to be philanthropic with some of their assets. However, they may be reluctant because gifts to charities disinherits their children, dollar for dollar. Also, they may be reticent to make large gifts, while they are still living, being concerned with future needs for the money. However, deferring charitable giving, until their death(s), loses the tax deductions they could have gotten by making gifts during their lifetime.

THE SOLUTION

Set up a 501c3 irrevocable trust and fund it with life insurance. There are several advantages to setting up the trust. First, a small annual gift (premium) to the trust is leveraged to provide a much greater gift to the charities of choice. Secondly, the tax deduction for the annual premium is immediate. Thirdly, since the trust makes the gifts to the named charities, upon the grantor's death, both the amount of the gifts and the charity(s) receiving the gift(s), can be changed, at any time. Finally, the estate is only reduced by the amount of the premium, not the amount of the ultimate gift

There a side note. With the increase in the standard deduction, the premium may or may not be tax deductible beyond the allowed standard deduction. This can be rectified, somewhat, by paying premiums bi or tri annually to maximize the deduction in the year premiums are paid. Unfortunately, RMDs cannot be directly paid from an IRA to the trust to avoid being considered income, as they can be to a public 501c3 charity.