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**Leveraging Life Insurance for Charitable Good**

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It can be a good thing when a valuable life insurance policy outlives its original purpose. A policy originally intended to provide for minor children, for example, can provide additional benefits after the children are grown.

Instead of surrendering the policy or allowing it to lapse, life insurance can play a particularly useful role in allowing a donor to make a significant gift to a favorite charity. By naming the charitable organization as beneficiary of an existing policy, the donor can often provide a more substantial gift than would have been possible using other assets.

**Advantages of Life Insurance Gifts**

A gift of life insurance is private and avoids probate—unlike a gift in a will, which is subject to probate and becomes part of the public record. Heirs are also less likely to contest a charitable gift of life insurance.

When a charitable gift of life insurance is made, the donor pays the policy premiums and the charity receives the policy proceeds—frequently resulting in a significant gift. The death-benefit-to-premiums-paid ratio often allows the donor to make a larger charitable gift than might be possible using other means.

A charitable gift of life insurance also permits the donor to retain other assets for heirs, such as real estate, tangible personal property, or a family business. Alternatively, the donor can use life insurance to replace specific assets left to charity by naming family members as beneficiaries of a life insurance policy.

**How Can Donor Make a Gift of Life Insurance?**

Making charitable gifts using life insurance can be simple and cost-effective. An outright gift of an insurance policy can be as simple as using insurance company forms to name the charity as beneficiary.

Some donors might not want to assign ownership of the policy outright to charity. By naming the charitable organization as beneficiary only, ownership of the policy remains with the donor while allowing the charity to eventually benefit from the policy proceeds.

Simply naming the charity as a beneficiary will not create an income tax charitable deduction for the donor. However, if the charity receives the proceeds when the insured dies, the estate may take an estate tax charitable deduction for the gift.

**The Tax Picture**

An outright gift of a life insurance policy offers income tax advantages that are not available by making a charitable bequest with the same policy. For example, an outright gift of an existing policy during life can qualify for an income tax charitable deduction. And contributions made to charity to pay subsequent premium payments can also qualify for a deduction.

Advisors can help donors navigate the IRS rules to ensure that gifts substantially benefit the donors favorite charities and fit efficiently into the donor’s estate and tax-planning strategies.

A life insurance policy doesn’t necessarily lose its usefulness when it outlives its original purpose. The policy can become a valuable planning tool for the philanthropically-minded individual.