Jason M. Woodward, J.D.
Financial Services Professional
Lowell, MA
financialattorney@gmail.com

Making a Difference
Using Life Insurance to Provide a Large Charitable Donation

Many of us share a dream of helping a nonprofit group we feel strongly about — our church, our alma mater, a cultural institution, an environmental group, a human rights crusade, or a medical or social service organization. We would love to do something that would help others, to make a significant contribution, but feel that only the rich can afford to make a sizable donation. Through the gifting of life insurance, an individual of moderate means can make a significant donation.

In addition to making a heartfelt contribution to a worthwhile cause, gifting life insurance to a charity* offers many practical advantages to the donor — possible tax deductions, nominal cost of the transaction, and simplicity. There are many methods for using life insurance to boost a favorite charity; below are the most common:

- Designate the Charity as Owner and Beneficiary — This method benefits the charity and gives the donor a bonus in the form of income tax benefits. Premiums on such a policy are deductible to taxpayers who itemize their deductions. Consult a tax professional for details.
- Designate the Charity as Beneficiary — As policyowner, you retain the right to make changes to the policy including changing the beneficiary. Premium payments with this arrangement are not tax deductible. However, when the donor dies, the estate receives a charitable estate tax deduction for the proceeds, as allowed by law.
- Donate an Existing Policy — If you own a policy whose coverage is no longer essential, you may choose to donate it to a charity. The donor could irrevocably assign or transfer the policy to a charity as owner and beneficiary. This type of gift is generally not subject to gift tax, and in most cases may be eligible for a charitable income tax deduction.
- Set Up a Charitable Remainder Trust — This is a possible solution to disposing of unproductive appreciated assets, such as real estate that is unencumbered. If the owner keeps the asset, it may yield little or no income; if sold, it may incur capital gain taxes. A charitable remainder trust is a planning tool that can benefit the donor, the heirs, and a charity. It is a complex transaction that should not be undertaken without advice of an attorney or an accountant familiar with such arrangements.

With the dramatic reductions in government funding experienced by many organizations, the generosity of private citizens is more important than ever. It’s true that just one person can help make a difference. With the gifting of life insurance, you can now help make a significant difference. Your support helps continue the good works of a worthwhile endeavor, to keep helpful programs afloat. Charitable giving also enriches donors' lives, providing the profound sense of satisfaction, of "doing the right thing."

For more ideas on how life insurance may fit into your charitable giving plan, contact **Jason M. Woodward, J.D**. today at financialattorney@gmail.com.

* Must be a qualified charity.