How You Benefit by Giving Life Insurance

ONE OF THE MOST SATISFYING WAYS TO DONATE

Life insurance can be a tool with many purposes. When your children were young, for example, you may have purchased policies to provide them with financial protection in case something should happen to you or your spouse.

Have your circumstances changed since then? If so, you might be interested in one of the most satisfying uses for the life insurance you no longer need—donating it to a charitable cause such as supporting WSU. Here are three ways to arrange this gift.

1. Give an Existing Policy

When you choose to name the WSU Foundation as the policy owner and beneficiary, you receive an immediate income tax charitable deduction for the lower of the policy’s fair market value or your cost basis. For paid-up insurance, the fair market value is the cost of replacing the coverage with a comparable policy.

If premiums are still payable on the policy, the fair market value is usually close to the cash surrender value. You may stipulate to us that you wish to no longer make future premium payments, and we will use the surrender value immediately for our cash needs.

A life insurance gift with a charitable deduction in excess of $5,000 must be supported by a qualified appraisal.

2. Retain Ownership of an Existing Policy with a Revocable Gift

If you would rather retain ownership of a policy for your own financial security or that of others, you have the following options:

- Name us as a primary beneficiary of the policy, while you retain the rights to change the beneficiary as owner of the policy.
- Name us as the contingent beneficiary, so we receive the death benefits only if your primary beneficiary predeceases you.
- Create a separate trust named to receive the death benefits, with terms providing for the financial support for one or more named loved ones for a specific term of years or for life, after which the trust terminates and its assets pass to the WSU Foundation.

These options do not produce a current income tax charitable deduction, but they can provide the satisfaction of knowing WSU will receive some benefits if certain events occur and the arrangement is left unchanged. Any amounts payable to us at your death will not be subject to federal estate tax.

3. Create a New Policy for Future Charitable Gifts

In most states, you can enter into a new insurance contract with the WSU Foundation as the beneficiary and owner of the policy. Greater leverage is possible when two donors, usually husband and wife, purchase a two-life, second-to-die policy. With two lifetimes before payment of benefits, a desired future gift to WSU may be obtained for substantially fewer premium dollars.

FIND OUT MORE

When considering any of these charitable arrangements, it is especially critical to have a skilled planning team with expertise in finance, law, taxes and life insurance. We would be happy to answer any questions regarding charitable giving that you or your advisors may have.

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