

Charitable Life Insurance Boot Camp

St. Louis Planned Giving Council

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Outline

- Life Insurance Basics
- Contributions of Life Insurance
- Life Insurance Programs
- Evaluating Life Insurance

Life Insurance Basics

- A contract between insurer & policy owner
- Agreement to pay certain amount upon occurrence of certain event
- Parties
 - Owner
 - Insurer
 - Insured
 - Beneficiary

Life Insurance Basics

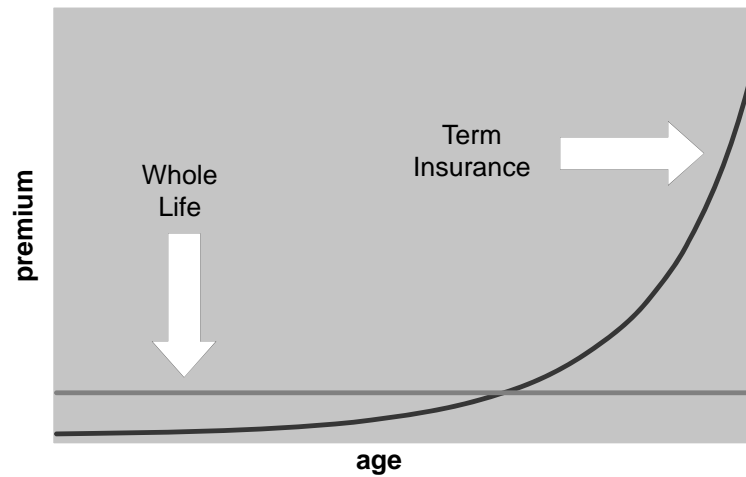
Term Insurance

- Protection – provide financial benefit in case of specified event, typically lump sum payment

Whole Life, Universal, Variable

- Investment – growth of capital values inside policy

Life Insurance Basics



Life Insurance Basics

- Whole Life
 - level premium, cash values guaranteed
 - mortality & expense charges will not reduce cash value
- Variable or Universal Life
 - premiums accumulate in savings/investment account, used to pay cost of insurance
 - Amount & number of premiums & *amount of death benefit* can be adjusted

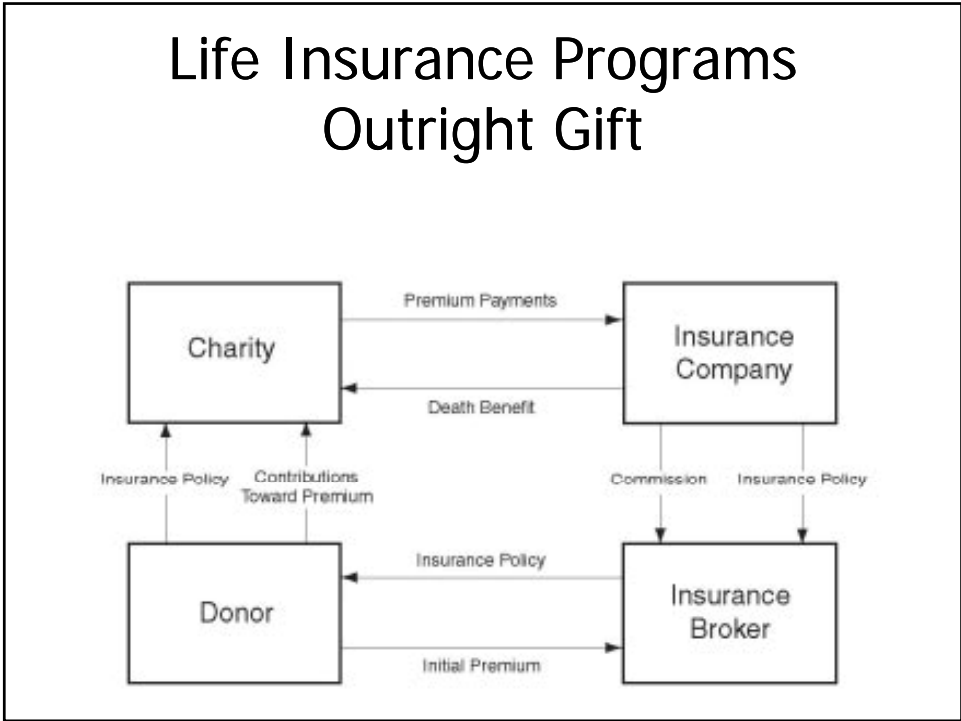
Contributions of Life Insurance

- Charity must be named beneficiary in order to receive death benefit
- Income tax benefits available to donor if charity is also named owner of the policy:
 - Income tax deduction for value of policy
 - Future premium payments are also deductible

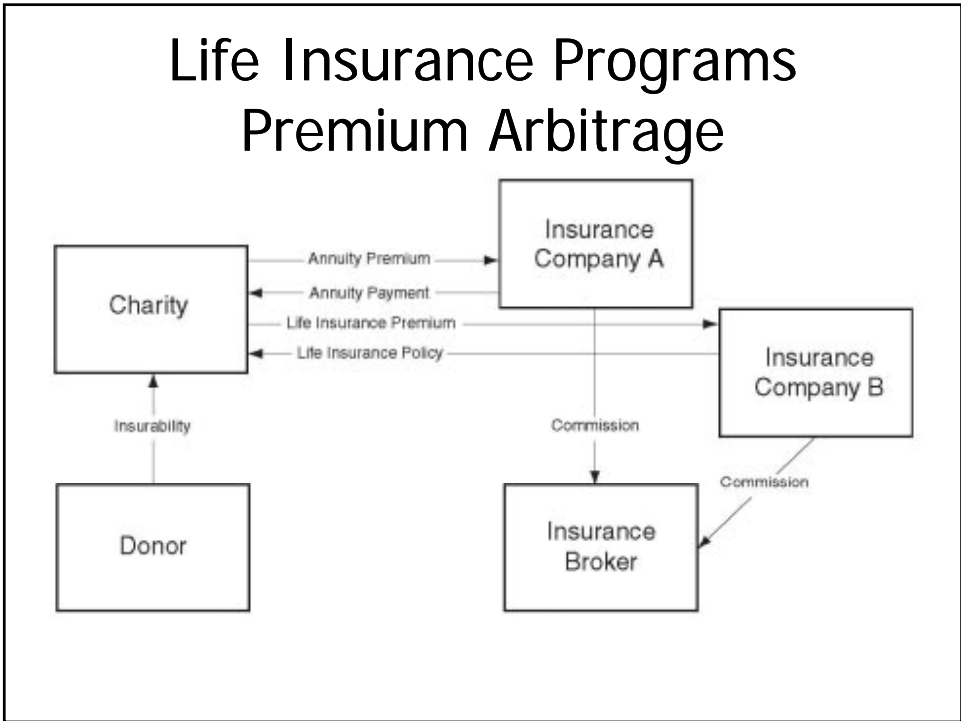
Contributions of Life Insurance

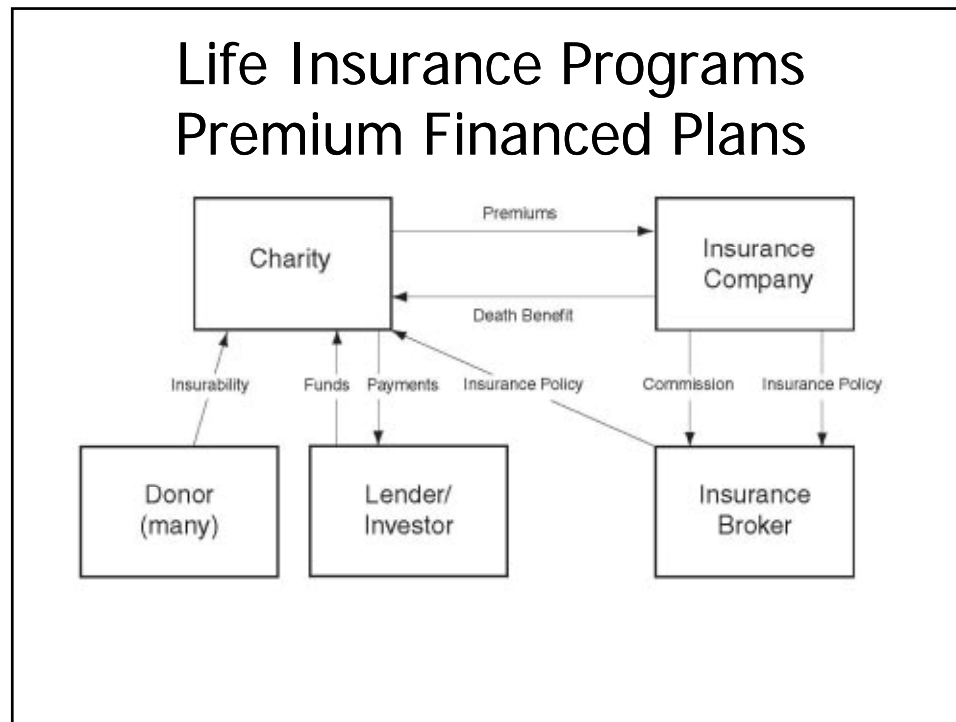
- Charity is not obligated to make future premium payments ... but donors may expect otherwise
- Outstanding policy loans, other conditions may reduce value of death benefit
- Policies are valuable assets and should periodically be reviewed and evaluated
 - Accept paid-up death benefit
 - Cash in the policy

Life Insurance Programs Outright Gift



Life Insurance Programs Premium Arbitrage





Evaluating Life Insurance

- "Guaranteed insurance" is exceedingly rare
- Compare "projected values" to guaranteed
- Carefully evaluate proposed insurance programs
 - Value and values
 - Time to decide
 - Nothing is free
 - Charitable interest
 - Obligations and commitments