

## M INTELLIGENCE



### USING LIFE INSURANCE TO FUND CHARITABLE GIFTS

Life insurance can be a cost-efficient means of meeting charitable giving objectives. In addition to providing substantial funds for a charitable recipient, life insurance may generate significant tax deductions for the donor.

Life insurance has the power to amplify the value of a charitable gift. Gifting leverage may be possible because the death benefits provided are typically higher than the premiums paid. The degree of leverage achieved depends on the size of the policy death benefit, the health and life expectancy of the insured, and the total premiums paid.

#### MAKING THE CHARITY THE BENEFICIARY

The simplest approach when using life insurance to make a charitable gift is to make the charity the beneficiary of a life insurance policy. The advantage of this approach to the donor is the ability to change the beneficiary at any point prior to the death of the insured, assuming the beneficiary is not named irrevocably.

However, this approach exposes the charity to a potential change of heart from the donor and does not allow the charity to benefit from the receipt of any current contribution during the donor's life.

In addition, because the donor owns and controls the insurance policy, any premiums paid into the insurance policy do not create an income tax deduction. The value of the insurance policy would be included in the taxable estate of the donor, and at best the estate may be eligible for an estate tax deduction.

Life insurance can be held by a donor, gifted, or used to replace other assets that a donor transfers to charity.

#### GIFTING AN EXISTING POLICY

Another approach is to make an irrevocable gift of an existing policy to a charity. As policyowner, the charity can name itself the policy's beneficiary without fear that the beneficiary could later be changed.

The gift of the insurance policy generates income and gift tax deductions, subject to charitable deduction restrictions. The donor may also continue to make tax-deductible gifts to the charity to fund ongoing premium payments.

## OFFSETTING DONATED PROPERTY

Alternatively, a donor may have other property to contribute to a charity and may want to use life insurance to offset or replace the value of the property gifted. By taking this approach, the donor will not only benefit from a current tax deduction, but can also ensure that heirs are not affected by the charitable gift. The charity benefits by having immediate use of the property gifted.

Life insurance is a unique and flexible financial tool that can support charitable giving. It can be held by a donor, gifted, or used to replace other assets that a donor transfers to charity.

However, life insurance can be sophisticated, and not all life insurance policies are alike. If the idea of charitable giving through life insurance is appealing, the best way to produce successful results is by consulting an experienced life insurance professional with insight and experience in charitable planning.

**Consult a life insurance professional with insight and experience in charitable planning to achieve the best results.**

Financial Concepts Inc.  
(734) 214-9770 | [finconcepts.com](http://finconcepts.com)

Securities offered through M Holdings Securities, Inc., a Registered Broker/Dealer, Member FINRA/SIPC. Financial Concepts Inc. is independently owned and operated.

This material and the opinions voiced are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. To determine what is appropriate for you, please contact your M Financial Professional. Information obtained from third-party sources are believed to be reliable but not guaranteed.

The tax and legal references attached herein are designed to provide accurate and authoritative information with regard to the subject matter covered and are provided with the understanding that neither M Financial Group, nor its Member Firms are engaged in rendering tax, legal, or actuarial services. If tax, legal, or actuarial advice is required, you should consult your accountant, attorney, or actuary. Neither M Financial Group, nor its Member Firms should replace those advisors.

© Copyright 2023 M Financial Group. All rights reserved. #5459185.1

M Financial Group | 1125 NW Couch Street, Suite 900 | Portland, OR 97209 | 503.238.1813 | fax 503.238.1815 | [mfin.com](http://mfin.com)