

PLANNED GIVING - A “NOW AND LATER” GIFT

Did you know that your assets could provide lasting support to others while still benefitting you and your family? Through careful planning today, charitable gifts can have a future impact far beyond your expectations. Through the tax code, our government encourages charitable giving by providing tax saving incentives designed to reward philanthropy.

You may have heard the term “planned giving” but have not made the connection to your own situation. A planned gift is a “now and later” gift made to a charitable organization.

The present value - the NOW - of the gift may take the form of:

- A charitable income tax deduction
- The avoidance of capital gains taxes
- The payment of income to you or other family members

The future value - the LATER - comes in the form of:

- Reduced estate taxes for your heirs
- The ability to pass on charitable dollars to help your family carry on your philanthropic legacy

There are three broad categories that describe most planned gifts:

- Lifetime gifts and bequests
- Donor advised funds
- Charitable trusts

Within each of these broad categories, specific planning techniques are used depending on the goals of the donor and the types of assets utilized to fund the planned gift. Assets such as highly appreciated stock, low basis real estate, closely held stock (family business) and life insurance policies all can be used to great advantage in structuring a planned gift.



Planned Giving Through Life Insurance

Charitable giving through life insurance is an effective way to gift a certain amount to charity and pay for it with “leveraged” dollars. The death benefit is generally many times the amount of the premiums, and charitable gifts of life insurance usually avoid or reduce some combination of income, estate, gift and capital gains taxes.

A charitable remainder trust is an example of how a planned giving vehicle utilizing life insurance can benefit all parties involved: the donors, their families, and the charities.

Charitable remainder trusts are appropriate for donors who want lifetime income and an immediate income tax deduction for a portion of the gift. The donor or other named beneficiary receives income generally for his or her lifetime and the charity receives the “remainder,” or the amount remaining when the trust terminates.

Other Gifting Plans Using Life Insurance

Gifting an old policy to a charity:

Do you have a policy you no longer need? Perhaps it was purchased years ago for college education or mortgage protection. Your children have since graduated from college and your mortgage has been

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paid off for years. You should consider gifting that old life insurance policy to your favorite charity. Your federal estate is reduced by the face amount of the proceeds. In addition, you will receive an income tax deduction for the value of the policy and for any future premiums you continue to gift to the charity.

Gift of insurance policy dividends to charity:

This technique is appropriate for someone who is just beginning a charitable plan and who may not have assets to give. A gift can easily be established by requesting that dividends be paid in cash. The cash dividends can then be donated annually to a charity. These cash gifts are income tax deductible up to 50% of adjusted gross income.

Changing a life policy beneficiary to a favorite charity:

This simple technique is also easily established. The policy owner names a favorite charity as the beneficiary, for either the entire proceeds or a portion. This charitable plan allows the policy owner to retain control of the policy because the ownership is not changed. The donor's estate will receive a full charitable estate tax deduction for the death benefit given to charity.

Buying a new life insurance policy for the charity:

A new life insurance policy can provide a very large gift in proportion to the amount of premiums paid. The life insurance death benefit will not be in the donor's estate since the charity was the owner from inception and the donor never held any incidents of ownership in the policy.



Buying life insurance to finance a pledge or future donation to a charity:

The way to fund a large pledge or future donation is by purchasing a life insurance policy and naming the organization as the beneficiary.

Charitable gift planning should suit each donor's needs for being charitable today as well as in the future; for helping the community as well as taking care of loved ones; and for addressing financial, tax, and estate planning needs as well as fulfilling philanthropic commitments.

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