NEW YORK LIFE

Beneficiary Newsletter

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The Company You Keep®

Using Planned Giving to Add Value to Your Charitable Donations

The generosity of the American people is evident in the record of charitable giving in the United States. 89% of American households give to charitable causes each year, individually averaging $1,620 annually.[1] The government also offers tax benefits to those who wish to give. In short, charitable giving is a win-win situation – the charity[2] receives the financial assistance it needs to operate, and the donors receive the gratification of knowing they helped make a difference to a cause or organization they care strongly about. Planned giving is one way to achieve this.

What is Planned Giving?

Planned giving allows you to provide for your favorite charity as well as your loved ones, all the while protecting valuable assets from income and estate taxes. Planned giving can help provide the donor guaranteed income for life, create a gift that will live on after the donor's death, or both.

There are a variety of ways to structure a planned gift to help you enjoy favorable tax and financial benefits, as well as substantially increase the gift size without substantially increasing costs. Naturally, you need to consult with your tax and legal advisors before making a planned gift.

Using Life Insurance in Planned Giving

A gift of permanent life insurance can be both convenient for you and welcome by the charitable organization. It can provide a number of advantages to a charity: income that continues after your death; a large lump-sum distribution upon your death that can help the funding of a special project; and proceeds received without the delay of probate. And it may let your gift go even further, through potential dividends.[3]

There are a number of ways to go about donating life insurance. If you have an existing policy that you no longer need, you can change your beneficiary designation and name the charity of your choice as beneficiary. While this does not provide you with an income tax deduction for your premium payments, the amount of the death benefit is deductible from your estate as a charitable gift. If you transfer the ownership to the charity and make the charity the beneficiary, you may receive an immediate charitable income tax deduction.

You can also purchase a new policy naming the charity as owner and beneficiary.[4] You provide funds for the premiums as cash gifts to the charity, which generally are income tax deductible. The charity then receives the policy's death benefit at your death. Using life insurance in planned giving can help maximize your gift to the charity.

Life Insurance for Asset Replacement

Life insurance can also be used to replace the value of an asset that you give to charity. After the asset is donated, you use part of the money saved (through the ensuing income tax deduction) to purchase a life insurance policy. At the time of your death, the proceeds can help replace the value of the asset you gave away. It also has the added benefit of replacing a non-liquid asset with cash, which can help your named beneficiaries pay debts and final costs of your estate settlement without having to liquidate assets.

Using Trusts in Planned Giving

Although trusts are often associated with the very rich, they are actually useful tools for a variety of situations. There are several varieties of trusts that can be used in conjunction with planned giving. Most of these can be funded with life insurance.

Charitable Remainder Trusts (CRTs) allow you to make a gift of an asset to charity, and receive income from that gift for life or a specified period of time, up to 20 years. The gift, usually an appreciated, low-yielding asset such as real estate or growth stocks, is transferred to the trust, which sells the asset. The proceeds from the sale are used to provide you with income. At the time of your death, the remainder of the trust is transferred to charity.

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[1] www.networkforgood.org, 10/04/06.

[2] Must be a qualified charity.

[3] Dividends are not guaranteed.

[4] Subject to state insurable interest rules.

There are two benefits to a CRT: you receive an income tax deduction for a portion of the value of the gift, and the trust is able to sell your highly appreciated asset without paying the capital gains taxes that would have been due had you sold it yourself. Variations on the CRT can provide you with varying levels of income. Please consult your tax and legal advisers if you are interested in setting up such a trust.

A Charitable Lead Trust is the opposite of a CRT. Rather than provide income to you, the Lead Trust provides income to the charity for the term of the trust. When the term expires, the property passes to the named beneficiary. An income tax deduction is permitted for a portion of the gift, in certain circumstances. Also, the value of the gift may be removed from your estate for estate tax purposes.

It's All in the Planning

Planned giving strategies offer a powerful tool to help your favorite charities, and provide for yourself and your heirs. By using insurance and trusts to help maximize the value of your charitable gift and minimize tax liabilities, you may be able to make a substantial yet affordable gift to a charity - all the while providing for your heirs and your own future.

For more information about how life insurance can be used in planned giving, please contact your New York Life agent, call 1-800-864-3095 or return to www.newyorklife.com/beneficiary and click on the Consult an Agent button.

Neither New York Life nor its agents are in the business of offering tax, legal or accounting advice. You should consult with your own professional advisors to examine the tax, legal and accounting aspects of any topics presented here.

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