



## CHARITABLE GIFT PLANNING

# LIFE INSURANCE GIFTS

The Columbus Foundation was organized in 1943 by Harrison M. Sayre. It is a nonprofit organization that receives gifts from individuals, organizations, and companies to establish charitable funds in the donor's name; invests those gifts; and then makes grants to nonprofit agencies to meet the needs of the community. Gifts of life insurance may be used to establish any type of fund at The Columbus Foundation.

Many people purchase life insurance when they need protection for their family, for their business, or for their estate. In later years, they may find that they don't need all the insurance they did when they were younger. They may have built an estate of other assets or their children are self-supporting. Lower levels of personal and mortgage debt as well as the reduced impact of estate taxes have also lessened some individuals' need for life insurance. As a result, it may become desirable for these individuals to use their policies for charitable giving.

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*The Columbus Foundation is a 501(c)(3) tax-exempt charitable organization; donors are eligible for a charitable tax deduction for their gifts.*

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## The Columbus Foundation as Owner and Beneficiary

If you are a donor who wants to achieve immediate tax benefits, you should consider irrevocably assigning an insurance policy to The Columbus Foundation. You will be eligible for an immediate federal income tax charitable deduction in the year of the assignment. For gifts of a policy that is paid up, the value of the deduction is equal to the lesser of the policy's replacement value or the cost basis (the net premiums paid). If the policy is not yet paid up, an income tax deduction is allowed for the lesser of the value determined under a special IRS definition or the cost basis of the policy, as well as for contributions made to The Columbus Foundation to pay subsequent premiums. Not only are you eligible for an immediate tax deduction and substantial estate tax savings later, but you also have the satisfaction of supporting your charitable interests. Any type of fund may be established with an insurance policy.

Life insurance enables you to make a much larger gift than you might have thought possible. A gift of insurance will not reduce your current stream of income.

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## Example

Bill Oliver purchased a \$50,000 whole life policy years ago, to guarantee funds for his children's education. His children have graduated and are now financially independent,

yet Bill still owns the policy and pays the \$1,000 annual premium. The policy's value determined under the IRS definition is \$23,000 and the policy's cost basis equals \$22,000. Bill decides to assign the policy to The Columbus Foundation, and he takes a \$22,000 deduction. He realizes an immediate tax saving in his 29% bracket, of \$6,380. In the coming years, Bill pays \$1,000 annually to The Columbus Foundation, which then pays the insurance premium. Bill is eligible to take a charitable tax deduction of \$1,000 each year. After Bill's death, a permanent fund will be established in Bill's name at The Columbus Foundation for the charities and causes he selects.

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*By naming the Foundation as beneficiary, you retain ownership of the policy and have access to the cash value as well as the right to change the beneficiary.*

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### **The Columbus Foundation as Primary or Contingent Beneficiary**

Perhaps you want to help the community through The Columbus Foundation, but you are not ready to give up ownership of your life insurance. You may want access to the cash surrender value, or you may need the policy as collateral. Instead of assigning the policy, you can name The Columbus Foundation as primary beneficiary of your insurance. Perhaps you would rather a member of your family remain the primary beneficiary. You can make the Foundation contingent or successor beneficiary to receive the proceeds if your primary beneficiary predeceases you. By naming the Foundation as beneficiary, you retain ownership of the policy and have access to the cash value as well as the right to change the beneficiary. Since you retain ownership of the policy, there is no charitable deduction for the value of the policy upon designation of the charitable organization as beneficiary or for subsequent premium payments. However, any proceeds payable to The Columbus Foundation at your death will not be subject to federal estate tax.

The Columbus Foundation has sample standard legal language necessary to establish each type of fund through a gift of insurance. If you have any questions, please contact The Columbus Foundation.

This organization is not engaged in rendering legal or tax advisory service. The purpose of this publication is to provide accurate and authoritative information of a general character only. Watch for tax revisions. State laws govern wills, trusts, and charitable gifts made in a contractual agreement. For advice and assistance in specific cases, the services of an attorney or other professional advisor should be obtained.

## **ABOUT THE COLUMBUS FOUNDATION**

The Columbus Foundation serves nearly 3,000 individuals, families, and businesses that have created unique funds and planned gifts to make a difference in the lives of others through the most effective philanthropy possible. The Columbus Foundation is **Your Trusted Philanthropic Advisor**<sup>®</sup> and is among the top ten largest community foundations in the United States.

## **WE'RE HERE TO HELP!**

Learn more about The Columbus Foundation by visiting us online at [columbusfoundation.org](http://columbusfoundation.org) or in person at 1234 East Broad Street, Columbus, Ohio 43205. Please contact one of our Donor Services advisors by calling 614/251-4000 or emailing [dsd@columbusfoundation.org](mailto:dsd@columbusfoundation.org).