

## Add Your church as a Beneficiary

Most Insurance Policies provide for naming more than one beneficiary. The church can be in the succession of beneficiaries. Ask to name your church as a co-beneficiary, secondary beneficiary, remainder beneficiary, or residual beneficiary. Here's how the list may appear:

**Beneficiary** – the person or institution named to receive the policy face values upon death of the insured

**Co-Beneficiary** – a shared form of benefit with death benefits, distributed equally or in a designate proportion between beneficiaries

**Secondary Beneficiary** – the person or institution that receives the proceeds of the policy if the primary beneficiary has already died (or dies simultaneously)

**Remainder Beneficiary** – the person or institution that receives the proceeds if both primary and secondary beneficiaries have died

**Residual Beneficiary** – the person or institution that receives the remaining benefits of an annuitized policy with guaranteed benefits or cash values

## Questions?

If you have questions or would like more information about planned giving opportunities, please contact us at 888-451-1929 or [info@UMFMichigan.org](mailto:info@UMFMichigan.org).

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## 10 Ways to Use Life Insurance for Planned Giving

*a great opportunity most of us never even think about*



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- a familiar resource most people already have
- requires no special legal consultation or fees
- a convenient way of giving larger and more satisfying donations than might otherwise be possible
- options for immediate gifts, giving later, or a combination

Life insurance has been around for about 200 years and represents a \$1.5 trillion business. The average family owns more than \$25,000 of life insurance, yet little of this money ever finds its way into the church. This presents a great opportunity for charitable giving.

*Some of these strategies require new policies, but most utilize existing policies.*

## Tithe the Policy

Although tithing one's income is more a goal than a reality for most people, tithing the proceeds of a life insurance policy is a realistic option. All it takes is an amendment to an existing policy. When the church is named for a tithe of the benefits irrevocably (or in a term policy), 10% of the premiums become tax deductible as well.

## Sell Endowment Policies at Cost

The principles of "Bargain Sale" gifts also work here. You may have an endowment-type policy, which has a substantially larger cash value than its cost. You may not be willing or able to give the full amount to the church, or you may wish to tax-shelter the appreciated gain. However, selling the policy to the church may make good sense.

The church purchases the endowment policy for the actual cost of the policy (the sum of premiums paid). The difference must also be declared as income, but will be factored out with the deduction.

## Loan the Cash Values

In this day of changing interest rates, many people have discovered the hidden treasure of low rates for loans from insurance cash values. Why not make these "cheap" loan funds available to the church? Instead of high bank interest for construction or additions, these lines of credit may offer interest as low as 6%. Here is an asset that can be tapped by middle-aged donors who are cash-poor from college expenses or tied-up capital.

## Dividend Assignment

Many people own what is called a "participating" insurance policy. These typically include an annual dividend or rebate of a portion of the premium. Unlike stock dividends, which are a form of income, life insurance dividends are considered rebates or returned principal and are not taxable income.

When the dividend is given to the church, however, the gift is fully tax-deductible. The net effect is to reduce the income subject to tax from all sources. Here is a simple method in which the deductible gift is the equivalent of a gift twice as large.

Another nice feature of dividend assignment is that the money given is "painless." Few persons anticipate the dividend check, and fewer still use it creatively. By assigning the payment to the church, money that might otherwise be frivolously spent becomes a ministry tool and a source of real satisfaction.

*The following four represent "Obsolete" Life Insurance policies that also make good gifts*

## "Burial Expenses"

Years ago nearly everyone made certain to have a \$1,000 policy "with which to bury me." These policies have long since ceased to be needed (or sufficient!) for that purpose. Why not clean out your desk drawers and donate these now unnecessary policies?

## For Support of a Spouse No Longer Living

Many people are overinsured. Policies purchased years ago to provide for a spouse can become unnecessary when a spouse is deceased. Why not enjoy great satisfaction from giving the policy to the church? This could be a perfect asset by which to fund a memorial gift or endowment.

## Education Insurance

A common type of obsolete policy is one purchased to provide college money in case of death. Often, children are out of college and financially independent, yet the policy remains in force. These funds could be used to start a scholarship fund for seminary students or college students from your church.

## Estate Tax Insurance

Many small business owners and farmers were sold a large insurance policy to pay estate or inheritance taxes. With the provisions of the Tax Act of 2001, fewer than 5% of these families will have any federal estate tax liability. Why not give these policies (which are no longer needed) to the church?

## Insure a Pledge

Mr. Brown had always been a consistent giver to all the programs of his church, so it surprised no one when his 10-year pledge for the new educational building was quite generous. But Mr. Brown died in the second year of the campaign, leaving an unpaid balance of more than \$8,000 of his pledge. What a wonderful surprise it was when Mr. Brown's insurance agent phoned with the good news that Mr. Brown had thoughtfully insured his pledge with a decreasing term policy payable to the Church! A check for \$8,480 was in the mail.

Perhaps you've never thought of it before, but would gladly pay the small extra amount to insure a pledge to your church. It may be possible to ask an agent within your church to sell the policy and donate the commission. With insurance, your intent will be realized no matter what and the church can go ahead with needed projects because the funds are assured.

*continued on back cover*



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