Gifts of Life Insurance

Life insurance can be an attractive option for charitable giving, even in the case of policies for which you are still paying premiums. You may own policies that have built up cash but are no longer needed for the purpose for which they were intended. If the policy is paid, your tax deduction is usually the cost basis or the replacement value of the policy, whichever is less. By donating a policy it will remove it from your taxable estate and provide you with an immediate income tax deduction. Or, you can buy a new policy and make the RMS the owner and beneficiary. In either case, the future premium costs can be tax-deductible. Donating or purchasing life insurance includes the following advantages:

1. You save taxes through an income tax charitable deduction when you name the RMS as the owner and beneficiary or the irrevocable beneficiary. Your deduction is limited to your cost basis (what you originally paid) even if the fair market value of the insurance is higher.

2. You can make a gift of your policy and continue paying the premiums, which allows you to claim the premium amount as an annual tax deduction.

3. Gifts or all or a portion of the value of life insurance may result in significant estate tax savings.
A gift of life insurance is easier to arrange than many other types of deferred gifts, e.g., you can transfer ownership of an insurance policy to the RMS without the legal expense of preparing a will or codicil. We realize that if you still need your life insurance for your future financial security or that of someone in your family, those concerns will always come first. But here are some ways you can safeguard personal requirements and still keep the RMS in your thoughts:

* Name the RMS as the contingent beneficiary, and then the RMS would receive the proceeds should your primary beneficiary predecease you.

* Name the RMS as beneficiary, but you retain ownership and retain control of your policies.

* Create a trust (revocable, irrevocable, or unitrust) to receive the policy proceeds. Then any funds are invested for a family member's support after your lifetime; when that person dies, the trust remainder can be paid to the RMS.

These plans will not entitle you to an income tax deduction, but they will satisfy your natural desire to use the policies for personal and family responsibilities as long as required and to support the RMS's mission later.