

CHARITABLE GIVING WITH LIFE INSURANCE

By Arthur Rottenstein, Registered Security Principal

Very few individuals decide one day to write out a check for \$100,000 or more to their favorite charity. But with life insurance, it can effectively cost very little to be so generous. Life insurance enables a charitable individual to make a substantial future gift by making small premium payments over time.

The advantages of funding a charitable giving plan with life insurance include: prompt payment of death benefits to the charity; a policy's growing cash value also may be borrowed by the charitable institution for special needs; giving without disrupting other assets reserved for your family; and qualifying for income, gift and estate tax deductions.

There are many ways to make charitable donations through life insurance. One of the simplest is to name a charitable beneficiary to receive all or a portion of the proceeds of a current policy. Or a donor may purchase a new policy, naming a favorite charity as beneficiary. In either case, the donor owns the policy and pays the premiums. While the donor can't deduct the premium payments, he/she maintains control of the policy and could decide to change the beneficiary at some point.

A very simple way to make a current charitable gift through life insurance is to donate policy dividends from cash values to a favorite charity. Another option is to make cash donations to the charity for the purpose of purchasing life insurance. This provides the donor with a current income tax deduction, while the charity pays the premiums and maintains ownership of the policy.

Where there are more sophisticated estate planning needs, charitable giving may be a valuable component of a comprehensive estate plan. In this case, life insurance in combination with various estate planning instruments can provide current income tax deductions and may generate income for the insured and his/her family.

To learn more about making a charitable gift through life insurance or to discuss complicated estate planning needs, a financial planner, tax adviser or attorney should be contacted for further information. Generous support of charitable organizations can help fulfill their missions while providing financial planning benefits as well.

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