

ADVANCED PLANNING

Charitable giving

Charitable giving allows you to support the organizations you care about most while opening the door for tax planning opportunities. Combining life insurance with charitable giving allows you to leverage your wealth to maximize your ultimate charitable legacy. It's easier than you may think.

Plan one: Name your charity as beneficiary

If you currently own a life insurance policy, you could name a charity the full or partial beneficiary of the death benefit proceeds. At your death, your estate receives an unlimited charitable deduction for the gift. This may be beneficial if you have a substantial estate that will be subject to estate taxes.

Plan two: Purchase a key donor policy

Your charity could apply for a new life insurance policy on your life. The charity owns and controls the policy.* Each year, you may be eligible for a tax deduction for cash you give to the charity to help it pay policy premiums. After giving cash directly to the charity, make sure to get an acknowledgement of the gift for your records.

Plan three: Give an existing policy to charity

If you own a life insurance policy you no longer need, you could give the policy to a charity. At the time of the gift, you are generally eligible for an income tax deduction for the lesser of the policy's fair market value or your cost basis in the policy. Ongoing donations made directly to the charity to pay policy premiums may also be eligible for additional income tax deductions.

continued



Charity as beneficiary

You own and control the policy.
Estate tax deduction



Charity as owner

Charity owns and controls the policy.
Income tax deduction

The benefits

- You can generate estate or income tax savings by giving to a qualified charitable organization.
- Life insurance may amplify the gift you leave to your charity. A relatively small annual cost (premium payments) will often produce a much larger benefit (death proceeds), allowing you the opportunity to be an endowment creator.
- When a charity owns and controls a permanent life insurance policy, it can access cash value inside the policy.

Additional considerations

- To qualify for a charitable deduction, donations must be made to a qualified charitable organization, such as a 501(c)(3) organization.
- Charitable gifts are subject to charitable and itemized deduction limitations. Work with your tax professional to determine whether itemizing your deductions is appropriate and if the gift will fall within applicable deduction limitations.
- Gifts of life insurance with outstanding loans can create adverse income tax consequences for the donor. Exercise care and work with your tax professional if you give a policy with outstanding loans to a charity.

* Like most life insurance companies, AuguStarSM Life will not issue a policy owned by a charity on the life of a donor unless an established history of charitable contributions by the donor can be demonstrated.

This material provides general information that is designed to be educational in nature and is not intended as specific tax or legal advice to any particular individual nor the law of any particular state. Please seek the advice of a qualified tax or legal professional for your specific situation.

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