



## ***An Innovative Strategy For Life Insurance in Charitable Giving***

Life Insurance is traditional fare on the menu of Planned Gifts. Making a gift of a Life Insurance policy to one's favorite Charity appeals to a variety of Donors because it is a flexible, cost-effective, and in many cases, a tax-advantaged way to make a major gift that will benefit the nonprofit institution after the Donor dies.

Life Insurance has traditionally been used as a, "Deferred Gift", for the benefit of the Charity. What if the Charity is in the midst of a capital or endowment campaign and needs immediate dollars? What if the Charity owns Life Insurance contracts on some of its Donors and would like to turn a "future asset into an immediate asset"? Could that Life Insurance contract generate a substantial current benefit for the Charity? With the advent of the "Life Settlement" industry, the answer is yes.

There is a growing connection between Life Settlements and Charitable Giving. Life Settlements has now become an industry unto itself and has earned a place among mainstream investment portfolios. It is very important for Planned Giving Officers and the Development Staff of Charitable Organizations to be aware of Life Settlements as an alternative to maintaining or letting donated policies lapse.

What is a "Life Settlement"? Simply put, a Life Settlement is the sale of a Life Insurance policy that is no longer needed, wanted or affordable, in the Secondary Market for a lump sum of cash that is more than the cash surrender value.

Life Insurance is already a heavily promoted source for Planned Giving by Charitable Fundraising Organizations. This is due to the substantial value of these policies and the fact that many older contributors, who no longer have a need for a policy purchased years earlier, would be potentially interested to make a charitable contribution to their policy.

With Life Settlements, a new vehicle exists for creating greater value from these Life Insurance policies. A Life Settlement always pays more than the "Cash Value" of the policy (on average, more than 3.5 times the cash value). Therefore this donation option will allow the Donor to capture a greater tax deduction. Furthermore, the Life Settlement Provider becomes responsible for ongoing premium payments, eliminating this financial burden from the Donor or the Fundraising Organization. For the Fundraising organization, the donation through a Life Settlement delivers an immediate liquid benefit. In addition, since the gift is realized now, the Donor can witness the gift's benefits during his or her lifetime.

A Life Settlement is also a flexible solution. They can be applied both to an existing Life insurance portfolio and to the Fundraising Organizations efforts to solicit new donations. There are no restrictions



on how the cash from a Life Settlement can be used. No policy is too small to review, and any type of policy can qualify. However, settlement offers will depend on factors such as the type, size of the policy, age of the insured, health conditions, and the amount of the premiums.

### **Summary of Benefits from using Life Settlements for Planned Giving**

#### **Benefits for the Fundraising Organization:**

- Increased Donations from existing Donors, and from Donors who may not have been able to contribute otherwise.
- Collect a lump sum cash settlement today instead of having to wait for the Insured's Death to collect gift proceeds.
- Eliminate the financial burden of premium payments to keep policies in force.
- Provide a valuable option to the Donor that furthers their tax and estate planning objectives and invites the opportunity for future / additional gifts.
- Improves budget forecasting ability.

#### **Benefits for the Donor:**

- Flexible new options to make donations.
- Being able to see the benefits of a gift during their lifetime rather than after their death.
- The ability to make a donation to a favorite Fundraising Organization without depleting cash reserves or losing income-producing assets.
- Getting a tax deduction for the fair market value (selling price) of the Life Insurance policy instead of only the cash surrender value.
- Eliminating continued premium payments.
- Removing a taxable asset from their estate (if the policy was individually held).
- The ability to use the tax deduction and / or other financial benefits resulting from the Life Insurance gift to purchase a new policy to maintain coverage from the Donor's beneficiaries.

At Brookfield Insurance Partners, we specialize in helping individuals and organizations utilize the exciting new "Planned Giving" vehicle. We offer our services, so that your organization can understand and maximize the value of its Life Insurance portfolio. Our expertise, experience and service levels allow us to secure the highest possible settlement offers with minimal effort from your staff.