



Giving more doesn't
have to cost more

Charitable giving

You can help your clients increase the value of their gifts utilizing life insurance without increasing their cost of contribution. This chart outlines the tax implications of different situations that may apply to your clients.

| | | If premium is paid with annual cash payments | | |
|-------------------|--|--|---|--|
| Owner | Beneficiary | Income tax | Estate tax | Gift tax |
| Charity | Charity | Current income tax deduction for annual cash gifts to charity. | Insurance death benefit proceeds are excluded from donor/insured's estate. | Qualifies for gift tax charitable deduction. |
| Insured/donor | Charity | No current income tax deduction for premium payments. | Insurance death benefit proceeds are included in donor's estate but qualify for estate tax charitable deduction. | Not applicable. |
| Irrevocable trust | Trust, with charity as trust's beneficiary | No current income tax deduction for premium payments. | Insurance death benefit proceeds are excluded from donor/insured's estate, provided insured retained no incidents of ownership in policy. | No gift tax on contributions to trust if gift qualifies for annual gift tax exclusion or client's lifetime gift tax exemption. |

¹ If charity is named beneficiary of new or existing annuity: The donor would have to gift all ownership rights in the annuity (other than nominal ownership) to claim any charitable deduction.

If assigning all rights in the annuity:

For new SPIA: The donor would get a charitable deduction for value of the annuity—in essence what was paid for SPIA.

For existing annuities: The donor would recognize immediate taxation on the gain in the annuity. The donor would then be able to take a deduction for the present value of the future income stream of the payments.

Please note: Assumes state law recognized the charity has "insurable interest." For specific legal or tax advice, please suggest that your clients consult with a tax advisor or legal counsel for their particular state and situation.

| If premium is paid with SPIA (Donor is owner of SPIA and annuitant ¹) | | | If premium is paid by annuitizing existing annuity | | |
|---|---|--|---|---|--|
| Income tax | Estate tax | Gift tax | Income tax | Estate tax | Gift tax |
| Gain portion of annuity payment income taxable. SPIA payment qualifies for income tax charitable deduction for gift to charity. | Remaining SPIA payments, if any, are included in donor's estate but qualify for estate tax charitable deduction. Insurance death benefit proceeds are excluded. | SPIA payment qualifies for gift tax charitable deduction. | Gain portion of annuity payment income taxable. Annuity payment qualifies for income tax charitable deduction for gift to charity. | Remaining SPIA payments, if any, are included in donor's estate but qualify for estate tax charitable deduction. Insurance death benefit proceeds are excluded. | SPIA payment qualifies for gift tax charitable deduction. |
| Gain portion of annuity payment income taxable. No current income tax deduction for premium payments. | Insurance death benefit proceeds are included in donor's estate but qualify for estate tax charitable deduction. | Not applicable. | Gain portion of annuity payment income taxable. No current income tax deduction for premium payments. | Insurance death benefit proceeds are included in donor's estate but qualify for estate tax charitable deduction. | Not applicable. |
| Gain portion of annuity payment income taxable to trust (or grantor if trust is grantor trust). No current income tax deduction for premium payments. | Insurance death benefit proceeds are excluded from donor/insured's estate, provided insured retained no incidents of ownership in policy. | No gift tax on contributions to trust if gift qualifies for annual gift tax exclusion or client's lifetime gift tax exemption. | Gain portion of annuity payment income taxable to trust (or grantor if trust is grantor trust). No current income tax deduction for premium payments. | Insurance death benefit proceeds are excluded from donor/insured's estate, provided insured retained no incidents of ownership in policy. | No gift tax on contributions to trust if gift qualifies for annual gift tax exclusion or client's lifetime gift tax exemption. |

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| May go down in value |

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