



Hope for a Better World



A Creative Estate Planning Newsletter for friends of Ananda

Life Insurance and Creative Uses

There is a saying among insurance agents that people don't just buy life insurance, *they have to be sold.*

When you stop to think about it, it's true. When was the last time you picked up the phone and called your agent with, "I want to buy some more life insurance"?

If buying life insurance was that easy, they wouldn't have to pay agents commissions. They could just let them take orders. However, since there is over \$8.7 trillion worth of life insurance currently in force in the United States, it would appear that Americans are being sold - literally - on life insurance.

Leverage

What is there about life insurance that people have to be "sold" on it instead of just buying it as they would any other product or service? It's probably the thought behind life insurance - *you have to die before somebody else benefits.* Someone once described life insurance as "rolling the dice" against yourself.

But the reason people do buy insurance on their lives is the simple fact of leverage. People understand that for a small investment now and periodic payments, a large sum of money will pass to loved ones should something happen to them. They have "leveraged" big dollars with small dollars to meet certain emergencies.

Protection of Values

People primarily buy life insurance to protect the values they believe in - the welfare of their family, a child's education, a business. While they believe that the loss of their lives will be mourned by friends and loved ones, they want to minimize as much as possible any financial loss to their immediate family.

Within the last few years, more and more donors to charitable causes are discovering that life insurance is an excellent funding asset for a major gift. If what the charity does is a value to them during their lifetimes, then it can also be a value beyond their lives for their children, friends and community.

Protecting the values represented by your favorite charities with life insurance - a good idea for a new age!

Life Insurance as a Funding Asset

When most people think about a gift to charity, they picture themselves sitting down to write a check or reaching into their pocketbook for a few dollars. They don't see themselves going to their file drawer and examining their insurance policies.

Yet life insurance is one of the most viable assets with which to fund a charitable gift. It can be an "immediate" gift, turned into cash by the charity for current programs. It can be a "planned" or "deferred" gift, kept in force by the charity and at death the proceeds are used for endowment purposes.



Why Life Insurance?

There are many reasons why a donor would choose to use life insurance to fund a charitable gift. One of these reasons may match your current circumstances:

◆ **Cost-effective.** Many people are still paying premiums on a policy they took out many years ago and are well-covered by other more current policies. Funding a gift with this out-dated policy allows you to turn a negative cash flow asset (premiums) into a positive cash flow (tax savings). Using the policy to fund the gift is better than using cash because you end up with actual dollars to spend.

◆ **Endowment by Installment.** Many donors like the idea of being an integral part of their favorite charity's future. Giving all incidences of ownership in a life insurance policy (new or used) to the charity and keeping the policy in force by making extra gifts to the charity so they can pay the premiums is one way to invest in the future. The rationale is that, if these charities need your support now, they'll be needing your support in the future, too.

◆ **Bargain-Rate Major Gift.** Funding a life insurance gift and paying the premiums with appreciated securities is a unique way of reducing the actual cost of a gift down to pennies on the dollar. This is possible when a donor contributes a policy and then annually contributes appreciated stocks or bonds so the charity can pay the premiums. Often times the resulting tax savings equal or exceed the original cost of the securities.

◆ **Versatile and Flexible.** A rather creative donor used life insurance to satisfy both his personal and his charitable intent. He funded a life insurance trust with a policy on his life, naming his four grandchildren as the income beneficiaries for a term of years and his favorite charity as the remainderman. His estate received a deduction for the value of the remainder interest. As it turned out, more money was given to his grandchildren over the period of years than if he had made specific bequests to them in his Will.

◆ **Definite.** Naming your favorite charity as a sole or partial beneficiary of your life insurance means that your gift will not be delayed or diminished by probate or subject to challenge by creditors. Insurance ensures that your values will be perpetuated beyond your lifetime.

Regardless of the reason for using life insurance as a funding asset for a gift, if you have ever thought about making a major gift to one or more of your favorite charities, you owe it to yourself and them to investigate the use of life insurance. You may be closer to a major "planned" gift than you thought. And we may be closer to insuring the future of Ananda through your gift to the Janaka Foundation!

More Information

If you are interested helping to insure the future of Ananda through a planned gift, we invite you to send for a complimentary copy of *"A Guide to Planning Your Will"* and/or *"Planning for the Future."*

Simply return the enclosed card for your copy, or call Parvati Hansen at the Janaka Foundation office at: 530-478-7695

This newsletter is provided by the  Janaka Foundation.

This newsletter has been written by qualified specialists in financial planning and offers explanations of current techniques in easy-to-understand language. Through charitable gift planning, you can help us to prepare for our future of helping others. The information provided is general in nature. Each reader should consult his or her own counselors in applying the principles provided here.
