

Letter on Lifetime Gifts of Insurance

Dear

Thank you for your inquiry about contributing a life insurance policy to our organization.

A gift of a life insurance policy that has outlived its original purpose turns an inactive asset into a working asset.

Consider a mother and father who purchased life insurance years ago to protect the future education of their children. Now that the children are employed and independent adults, the parents decide to irrevocably assign the policy to our organization. They have the satisfaction of putting the remaining value of the policy to work for a good cause while generating an immediate income tax deduction for themselves.

In most cases, the issuing insurance company will calculate the tax deduction for you and provide you with an IRS form which you can use will use to claim the deduction. Don't expect your deduction to equal the policy's death benefit. For example, if your total premium payments were \$50,000 for a \$100,000 policy, your charitable deduction will not be more than \$50,000. If it turns out that the current value of the policy is \$40,000, your deduction will be \$40,000, not the \$50,000 in premium payments.

Whatever the size of your deduction, you will be able to put it to use in the year you make the transfer to us. The amount of the deduction you can take in any one year is limited to 50% of your adjusted gross income, so if you have a substantial deduction, talk to a tax adviser to determine how much of the deduction you will be able to use. Fortunately, you have six years to use the deduction, the year of the gift and five carry-over years.

Your interest in helping our organization is truly appreciated. Call (name) at (number) for further information.

Sincerely,