



Change Lives With Life Insurance

Life insurance can be a tool with many purposes. When your children were young, for example, you may have purchased policies to provide them with financial protection in case something should happen to you or your spouse.

Have your circumstances changed since then? If so, you might be interested in one of the most satisfying uses for life insurance you no longer need—donating it to a charitable cause such as A Kitty's Pursuit of Happiness. Here are three ways to arrange this gift.

1. Give an Existing Policy

When you choose to name our organization as the policy owner and **beneficiary**, you qualify for a federal income tax charitable deduction for the lower of the policy's **fair market value** or your **cost basis**. For paid-up insurance, the fair market value is the cost of replacing the coverage with a comparable policy.

Beneficiary - an individual or organization designated to receive benefits or funds under a will or other contract, such as an insurance policy, trust or retirement plan

Fair market value - the price a willing buyer and a willing seller can agree on

Cost basis - the original value of an asset, before its appreciation or depreciation

When you donate a life insurance policy to charity during your lifetime, you qualify for a federal income tax charitable deduction.

If premiums are still payable on the policy, the fair market value is usually close to the cash surrender value. You may stipulate to us that you wish to no longer make future premium payments, allowing us to access the surrender value immediately for our cash needs.

An alternative, however, may be even more attractive. The policy can remain ours and will stay in force so that someday we receive the original face amount. You pledge to make yearly cash gifts, which we will use to pay the premiums. The gifts are deductible when you itemize, and the policy is thereby kept in force with pretax instead of after-tax dollars for a lower actual cost.

2. Retain Ownership of an Existing Policy and Name A Kitty's Pursuit of Happiness as a Beneficiary

When you retain ownership of a policy but name a charity as the beneficiary, any amount payable at death will not be subject to federal estate tax. If you would rather retain ownership of a policy for your own financial security or that of others, you have the following options.

- Name A Kitty's Pursuit of Happiness as the sole or partial primary beneficiary of the policy, while you retain the right to change the beneficiary as owner of the policy.
- Name A Kitty's Pursuit of Happiness as the contingent beneficiary, so we receive the death benefits only if your primary beneficiary predeceases you.
- Create a separate trust named to receive the death benefits, with terms providing for the financial support for one or more named loved ones for a specific term of years or for life, after which the trust terminates

and its assets pass to A Kitty's Pursuit of Happiness.

These options do not produce a current federal income tax charitable deduction, but they can provide the satisfaction of knowing we will receive some benefits if certain events occur and the arrangement is left unchanged.

3. Create a New Policy for Future Charitable Gifts

In most states, you can enter into a new insurance contract with a charitable organization such as ours as the beneficiary and owner of the policy. Greater leverage is possible when two donors, usually husband and wife, purchase a two-life, second-to-die policy. With two lifetimes before payment of benefits, a desired future gift to us may be obtained for substantially fewer premium dollars. These policies are typically available even if one spouse is not insurable and are generally more economical than a policy only on the insurable spouse.

Find Out More

When considering any of these charitable arrangements, it is especially critical to have a skilled planning team with expertise in finance, law, taxes and life insurance. We would be happy to answer any questions regarding charitable giving that you or your advisor may have. Feel free to contact us at no obligation.

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