



ENHANCED CHARITABLE TRUST

Producer Guide



 **TRANSAMERICA**
INSURANCE & INVESTMENT GROUP

Transamerica Life Insurance Company

For producer use only. Not for distribution to the public.

A legacy with the flexibility to meet the needs of both the donor and charity

Charitable legacy planning can efficiently transfer wealth to the next generation and also effectively replace a charitable gift for those that are considering a sizeable donation. In addition, charitable giving can provide significant tax benefits.

For charitably inclined clients who will be receiving a windfall from the sale of a business or real estate settlement, large bonus or commission, charitable legacy planning becomes even more relevant.

The Enhanced Charitable Trust provides a new way to leverage this money that allows the recipient to satisfy a charitable inclination, obtain a tax deduction and still provide a sizeable amount to loved ones.

What is an Enhanced Charitable Trust?

An Enhanced Charitable Trust (ECLAT) is a charitable legacy planning strategy that can preserve family wealth and provide significant tax benefits in addition to supporting a charitable cause.

Unlike more traditional charitable lead annuity trusts (CLATs), an Enhanced Charitable Trust provides the charity with a modest annual income followed by a large, deferred final payment to a charity, with the remainder interest going to the donor's family (non-charitable trust beneficiary). To truly leverage the charitable gift, a life insurance policy is used within the trust.

The Benefits of an Enhanced Charitable Trust

Allows the donor to:

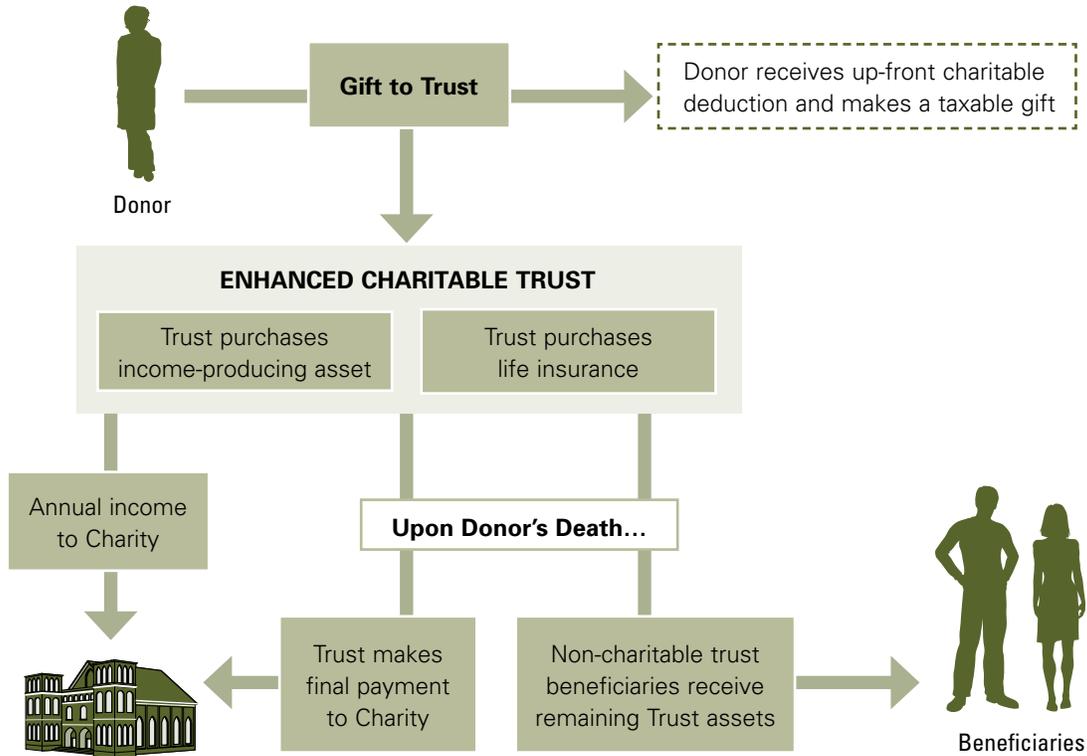
- Make a meaningful contribution to a charitable organization
- Transfer significant wealth to future generations
- Create a sizeable federal charitable income tax deduction
- Tailor the trust to meet both donor's needs as well as those of the charity



Providing Flexibility

An Enhanced Charitable Trust offers flexibility to be structured in a way that can meet both the needs of the donor and the charity. The greater the amount that is expected to go to charity, the greater the charitable income tax deduction. However, a smaller charitable deduction will allow more of the assets in the Enhanced Charitable Trust to pass on to the donor's family.

How does it work?



The donor makes an irrevocable gift to an Enhanced Charitable Trust. The trust uses a majority of the cash to purchase a life insurance policy on the donor for which the trust is both the owner and beneficiary. The rest is invested in an income-producing asset in order to provide an annual payout to the charity. When the donor passes away, the Enhanced Charitable Trust uses a portion of the life insurance death benefits to make its final payment to charity and the donor's family benefits from the remaining trust assets.

Tax Implications

The Enhanced Charitable Trust is a grantor trust, so the donor/grantor benefits from an up-front charitable income tax deduction.¹ The trust document will state a specific fixed dollar amount

that the charity will receive on an annual basis and at the end of the trust term (which is based on the grantor's life). Any income generated by the trust will be included in the grantor's tax return so municipal bonds, which are federal income tax-free, generally make a good investment to provide the annual payout to charity.

The donor makes a taxable gift to the non-charity trust remainderman which is the trust contribution reduced for the gift to charity. The amount subject to federal gift tax is based on the original gift to the Enhanced Charitable Trust less the amount of the charitable tax deduction. If available, the grantor could apply his/her lifetime gift tax exemption to mitigate the gift tax implication.

¹ A gift to a CLAT is considered a gift "for the use of" a charity and is subject to a 30% of adjusted gross income (AGI) limit. Unutilized deductions may be "carried forward" and utilized in up to five subsequent tax years.

Life insurance offers leverage through its tax-free death benefit which can allow a donor to provide to charity, without disinheriting his/her family.



The Role of Life Insurance

The Enhanced Charitable Trust uses a portion of its assets to buy a life insurance policy. A single premium, secondarily guaranteed universal life insurance policy, such as TransACE®, provides assurance that as long as its No-Lapse Guarantee requirements are met, the death benefit will remain in force. It offers the donor the security that the trust will have the assets to provide for both charity and the donor's family.

Life insurance offers leverage through its tax-free death benefit which can allow a donor to provide to charity, without disinheriting his/her family. In addition, the cash value build-up inside life insurance grows tax-deferred which is also beneficial for a grantor trust. Lastly, the use of life insurance also helps to keep the trust administration fees low versus an actively managed investment portfolio.

Potential Candidates for the Enhanced Charitable Trust strategy

As with other planning strategies, this strategy is not suitable for everyone. Generally, the Enhanced Charitable Trust strategy is suitable for:

- High-net-worth individuals
- Individuals expecting substantial proceeds from the sale of real estate or a business
- Recipients of a large amount of taxable income such as a lump-sum bonus or commission check
- Retirees with large balances in an IRA, annuity or qualified plan
- Affluent individuals who will not need the asset during life and desire to pass it to children
- Individuals who are concerned about estates taxes



As part of charitable legacy planning, the Enhanced Charitable Trust can help clients who are motivated to make a difference by donating to charity, need tax planning due their financial success, and still wish to leave a lasting legacy for their loved ones.

Strength and Stability from an Industry Leader

Transamerica Life Insurance Company has the strength and experience to help policy owners look ahead to the future.

Transamerica was built on a simple, but powerful, promise: to provide quality financial products at competitive prices. Transamerica has been helping families and businesses to secure their financial futures for more than a century, and this tradition of excellence continues today.

Available Materials / Tools

Customized Illustrations through Transamerica's Advanced Marketing Dept.

Producer

- Strategy Summary
- Online FAQ
- Enhanced Charitable Trust Guide
- Enhanced Charitable Trust Presentation

Consumer

- 4 Reasons Why Flyer
- Pre-Approach Letter
- Enhanced Charitable Trust Brochure
- Enhanced Charitable Trust Slip-in Examples
- Enhanced Charitable Trust Presentation

For more information about this and other advanced marketing strategies, be sure to visit our Web site at www.tatransact.com, or call our Advanced Marketing consultants at 877-ADV-MRKT (877-238-6758).

Enhanced Charitable Trust Proposal Request

Producer Information

Name: _____ Agency Code: _____

Phone: _____ Email: _____

Client Information

Name: _____ Spouse's Name: _____

Date of Birth: _____ Date of Birth: _____

Sex: _____ Sex: _____

Underwriting Classification: _____ Underwriting Classification: _____

State Where Policy will be Issued: _____

Amount of Charitable Contribution: _____

Adjusted Gross Income: _____

Client's Primary Objective

Maximize charitable donation and income tax deduction

Maximize amount passed to trust beneficiary(ies)

Targeted charitable income tax deduction (percentage of the taxable asset for which grantor would like to receive a deduction) _____

To receive a custom Enhanced Charitable Trust strategy proposal, submit this completed form to:

Advanced Marketing Department
Transamerica Insurance & Investment Group
1150 South Olive Street, Suite T-26-08
Los Angeles, CA 90015
Phone: (877) ADV-MRKT (238-6758)
Fax: (213) 763-9724

This material was not intended or written to be used, and cannot be used, to avoid penalties imposed under the Internal Revenue Code. This material was written to support the promotion or marketing of the products, services, and/or concepts addressed in this material. Anyone to whom this material is promoted, marketed, or recommended should be urged to consult with and rely solely on their own independent advisors regarding their particular situation and the concepts presented here.

Transamerica Life Insurance Company ("Transamerica") and its representatives do not give tax or legal advice. This material and the concepts presented here are provided for informational purposes only and should not be construed as tax or legal advice. Discussions of the various planning strategies and issues are based on our understanding of the applicable federal income, gift, and estate tax laws in effect at the time of publication. However, tax laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Transamerica's interpretations. Additionally, this material does not consider the impact of applicable state laws upon clients and prospects.

TransACE® is a nonparticipating, flexible-premium universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Form #1-12611107 (CVAT), Group Certificate #2-72336107 (CVAT) for certificates issued under a group policy issued to the Rhode Island National Consumer Protection Trust. Policy form and number may vary, and this policy may not be available in all jurisdictions.

Although care is taken in preparing this material and presenting it accurately, Transamerica disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it. This information is current as of September 2009.



Transamerica Life Insurance Company

an **AEGON** company