Success Strategy

Gifts of Life Insurance

John Hancock
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WORLDWIDE SPONSOR

WAYS TO USE LIFE INSURANCE IN CHARITABLE GIVING

Many different types of assets can be transferred to charity, including life insurance. Life insurance can help you to make a gift to charity or to replace a charitable gift made for the benefit of your family.

Donating an existing life insurance policy to charity. A gift of a life insurance policy on your life (or the joint lives of you and your spouse) can benefit a charity significantly, though the benefit is delayed until death. If there are ongoing premiums due on the policy, the charity must pay them to keep the policy from lapsing. And when a gift of an existing policy and all its rights are transferred to the charity, a charitable income tax deduction may be available. Please see the Comprehensive Charitable Planning Client Guide for details on deduction calculations and limitations.

Naming charity as policy beneficiary. A charity can be named as beneficiary of a new or existing life insurance policy. No current charitable income tax deduction is allowed since you will still have full ownership rights, primarily the right to change the beneficiary designation. However, a charitable estate tax deduction is available for the full value of the proceeds transferring to charity at death.

Charity-owned life insurance. You can also make cash gifts equivalent to the premium amount on a new life insurance policy on your life, owned by a charity. Like any cash gift, an income tax deduction is available for the amount of the cash given directly to charity. In order to be underwritten for the insurance owned by the charity, underwriting guidelines require that you, as donor, have a large estate and a history of giving.

Charity-financed life insurance. A charity can own and finance a life insurance policy on your life. The charity can establish the financing through a bank, and you can make income tax-deductible cash gifts to the charity equal to the loan interest payment or your current donation. In this way, there is no out-of-pocket expense to the charity, and you may be able to leverage your current charitable donations.

CASE STUDY: DONNY AND JESSICA PENDELTON

Donny (76) and Jessica (74) Pendelton have supported the Global Warming Foundation (GWF) for many years with contributions of $100,000 per year and are interested in making their contributions go farther for the benefit of the foundation. They have requested the foundation to consider the purchase of a John Hancock $3,000,000 Survivorship UL-G life insurance policy on their joint lives for a premium of $111,789 for 10 years that will guarantee the death benefit. GWF can finance the annual premium over the 10 years.

	DIRECT CASH GIFTS (without life insurance)			LEVERAGED CASH GIFT (with life insurance)			
YEAR	**AGE**	**CUMULATIVE CASH GIFTS TO CHARITY**	**CUMULATIVE CASH AT 7% ASSUMED GROWTH**	**CUMULATIVE CASH GIFTS TO CHARITY**	**ANNUAL LOAN INTEREST PAID FROM CASH GIFTS** (6.5% interest)	**CUMULATIVE NET CASH AT 7% GROWTH** (net of loan interest paid)	**TOTAL BENEFIT TO CHARITY** (includes insurance proceeds net of loan repayment plus cash balance at 7% growth)
1	76/74	$100,000	$107,000	$100,000	$7,266	$99,225	$2,987,436
5	80/78	$500,000	$615,329	$500,000	$36,331	$487,233	$2,928,288
10	85/83	$1,000,000	$1,478,360	$1,000,000	$72,663	$947,044	$2,829,154
15	90/88	$1,500,000	$2,688,805	$1,500,000	$72,663	$1,496,491	$3,378,601

This example assumes that no loans or withdrawals are taken from the policy and that all 10 premiums are paid in full when due. A hypothetical return is also assumed.

The Pendeltons can now provide 25% more to GWF without any additional out-of-pocket cost.

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Guaranteed product features are dependent upon minimum premium requirements and the claims-paying ability of John Hancock.

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IM1358 11/05 MLI1025055654