

## Charitable Gifts of Life Insurance

Contributing a life insurance policy can be one of the best ways an individual can fulfill philanthropic goals and provide Southwestern Medical Foundation a gift of substantial future benefit. Whether a gift of an existing or new policy, life insurance provides the opportunity to leverage current dollars into large future gifts.

Most people buy an average of five life insurance policies during their lifetimes. The first policy is normally purchased to protect the insured's family against the devastating consequences of premature death. Additional policies may be purchased to address changing family and business needs, such as ensuring higher education for children or starting a business.

There may come a time, however, when the original purpose for purchasing a life insurance policy no longer exists. In such cases, a gift of the life insurance policy may be a tax-wise and generous method of giving. When Southwestern Medical Foundation is made the **owner and beneficiary** of an existing policy, the donor may take a charitable income-

tax deduction for the policy's cost basis or cash surrender value of the policy, whichever is less. If additional premiums are needed to keep the policy intact, the donor can make those premium payments directly to Southwestern Medical Foundation (and the Foundation, in turn, will pay the premium) and again receive future income-tax deductions.

*Planning pointer: Instead of making a gift of cash to the Foundation, consider giving long-term appreciated securities. In addition to a charitable income-tax deduction for the fair-market value of the securities, any capital-gains tax will also be avoided.*

A gift of an existing life insurance policy to Southwestern Medical Foundation for the benefit of UT Southwestern can be especially meaningful.

### Want to Retain Ownership in the Policy?

If a donor wishes to remain the owner of a life insurance policy, consider naming Southwestern Medical Foundation as the **primary beneficiary** of the life insurance policy. All incidents of ownership remain with the individual, and thus he/she has access to the policy's cash value, if needed. If Southwestern Medical Foundation receives the insurance proceeds at the death of the insured, the insured's estate will be allowed an estate-tax deduction equal to the amount of the proceeds.

Another option for a donor who wants to retain ownership is to name Southwestern Medical Foundation as a **successor beneficiary** to receive the proceeds in the event the primary beneficiaries are no longer living at the time of the insured's death.

### How to Protect Family Members and Still Give Life Insurance

*Provision for a spouse:* If insurance proceeds are needed to support a surviving spouse, they could be paid to a charitable remainder trust or a qualified terminable interest property (QTIP) trust. The spouse would be entitled to payments from the trust until death, when the remaining principal would be distributed to charity.

## HERITAGE SOCIETY

**F**OUNDED in 1995, the Heritage Society honors individuals who make long-term charitable commitments to Southwestern Medical Foundation for the benefit of UT Southwestern or one of its affiliates through planned gifts. In essence, it gives the Foundation an opportunity to show its appreciation to those who are *Endowing the Future of Medicine*.



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\* = Charter Member of the Heritage Society  
 # = Deceased

## Charitable Gifts... continued from front

*Provision for children:* Some people hesitate to make a major charitable gift because they do not want to diminish their children's legacy. One solution is to make the major gift, then use the tax savings to purchase a life insurance policy, the proceeds of which are payable to the children. A second-to-die policy, which pays the death benefit upon the death of the second person insured (usually the surviving spouse), may be especially affordable and

**A life insurance policy makes an excellent gift and can be given at very low cost.**

provide a wonderful inheritance to children. This kind of arrangement is called **wealth replacement** because the insurance proceeds replace for the children the asset that was donated.

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### We Would Like to Hear from You

For more information about the many uses of life insurance, please return the enclosed card for a complimentary copy of our latest booklet, *Life Insurance: A Flexible Asset*, or call Randy Daugherty,

Planned Giving Director, at the number below.

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