

Life Insurance Gifts and Charitable Planning at the University of Florida

Life Insurance has become a standard tool in charitable planning and wealth replacement. This tool may allow you to improve the lives of many more people through UF. If you decide this is an appropriate method to make a gift, here are a few ways it can be accomplished:

UF as the beneficiary, but not owner

- ▶ Name the UF Foundation as a revocable **primary beneficiary**. This enables the donor to leave all or a portion of a death benefit to UF. For example, Mary is a single 70-year-old with a \$150,000 permanent life insurance policy. She wants to use the cash value to meet her potential “rainy day” obligations. However, if she does not need the cash value, she would like UF to receive the death benefit.
- ▶ However, if Mary is married, she might prefer to name the UF Foundation a **contingent beneficiary**. This means UF would receive her death benefit only if her husband, the primary beneficiary, dies before she does.
- ▶ Note: Naming a charity as a beneficiary preserves your control over the policy, allowing flexibility should your situation change. On the other hand, there is no income-tax deduction for the policy’s value or for premium payments.

UF as beneficiary and owner

- ▶ A donor can apply for a new life insurance policy and designate the UF Foundation as the irrevocable policyowner, or transfer the ownership of an existing policy. The donor would continue to pay the premiums by making contributions (equal to the premium) to the UF Foundation.
- ▶ There are advantages to this approach:
 1. Possible income tax benefits
 2. Gifting a policy to UF may allow you to enhance a gift, making a much bigger impact.
- ▶ Consider Mike, age 65, who decides to invest in UF by giving \$5,000 a year for the rest of his life. If Mike dies in 10 years, UF would receive \$50,000. But if Mike were to apply for a \$250,000 life policy with UF as the policyowner, he could turn that \$5,000 annual contribution into a \$250,000 deferred contribution.
- ▶ Since the policy is not included in Mike’s estate, he can potentially deduct the full premium for federal income tax purposes, assuming he itemizes deductions. Mike can maximize deductions by gifting to UF an amount equal to the premium, rather than paying the premium directly to the insurance company.

Transferring ownership of an existing policy

- ▶ When transferring an existing life insurance policy to UF, you may be able to deduct the fair market value of the policy as a charitable contribution. The amount you can deduct depends on whether your policy is currently “paid up.” Note: State law must permit a charity to have insurable interest in a donor’s life. Consult your tax advisor to ensure that such a gift will be structured properly.

Q&A

- ▶ **What types of life insurance can the UF Foundation accept as owner?** Upon review, any type of permanent life insurance can be accepted if the policy meets reasonable funding standards. The UF Foundation will not accept ownership of a term insurance policy.
- ▶ **Do I need to obtain an appraisal?** If the donated policy is worth \$5,000 or more, some commentators suggest that a formal independent appraisal is required and should be obtained from someone other than the carrier that issued the policy or the producer who sold the policy.
- ▶ **How do I change ownership of my policy to the UF Foundation?** Policy ownership is transferred through an endorsement by the donor on forms supplied by the insurance company and accompanied by the delivery of the insurance policy.
 - New owner: University of Florida Foundation, Inc.
 - Beneficiary: University of Florida Foundation, Inc.
 - Tax ID#: 59-0974739
- ▶ **What are the common types of permanent life insurance gifted to the UF Foundation?**
 - Whole Life.** Characteristics include level premiums and level coverage. Cash values may increase based on the performance of assets held in the company's general account.
 - Universal Life.** Characteristics include adjustable premiums and coverage. Cash values may increase based on the performance of assets held in the company's general account. The premiums start lower and gradually increase.
 - Variable Life and Variable Universal Life.** Variable life has the characteristics of whole life and variable universal life has the characteristics as universal life, except with variable insurance the sub-accounts are invested in stock and bond portfolios rather than in the insurance company's general account. Both types are suitable for policyholders who have an appetite for higher risk/return.

Insurance As Wealth Replacement for Donors' Heirs

Rather than contribute a policy or make UF the death beneficiary, donors may employ life insurance in a wealth replacement plan, often including an irrevocable life insurance trust, to replace in their estates assets contributed to a charitable remainder trust or other gift arrangement.

CONTACT



The UF Foundation (federal tax ID number 59-0974739) is a Florida nonprofit corporation exempted from federal income tax as a 501(c)(3) publicly supported charity. The UF Foundation does not provide legal, tax or financial advice. When considering planning matters, seek the advice of your own legal, tax or financial professionals.

