

## Letter on Life Insurance Designations

Dear

One of the simplest ways to remember our organization in your estate plan is to make it a beneficiary of all or part of an existing life insurance policy. Follow these steps:

1. Ask your insurance agency for a change of beneficiary form.
2. Fill it out, naming “Our organization (and tax identification number), located in (City), (State),” a beneficiary of the policy, either for a percentage or for a specific amount of the proceeds.
3. Let us know that you have made the change.

Insurance is considered part of your estate and may be subject to estate tax, but not if it is designated for our organization. Whatever benefit is set aside for our organization will pass from the policy directly to the organization free of estate tax. Filling out a beneficiary designation form is the most common and simplest way to use insurance to remember a good cause. Though this method does not generate a charitable income tax deduction because the donor is free to revoke the designation at any time, it will pass to us free of estate tax.

One way to receive a charitable income tax deduction through a gift of insurance is to turn over a paid-up policy to our organization during life. Consider a mother and father who took out a life insurance policy years ago to protect the future education of their children. Now that the children are employed and independent adults, the policy’s original purpose no longer pertains. The parents irrevocably assign the policy to our organization and receive an immediate income tax deduction. The amount of the deduction is somewhat complicated to determine. Most insurance companies will calculate the tax deduction and provide the donor with IRS form 712 which the donor will use to claim the deduction.

If you have any questions about gifts of life insurance, please call me at (phone number).

Sincerely,