

GOLDENBULLETS

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THOUGHT YOU'D LIKE TO SEE THIS:

LIFE INSURANCE AND CHARITABLE PLANNING

Nationally known consumer advocate JJ MacNab, co-author of *The Tools and Techniques of Charitable Planning*, described life insurance as a charitable planning tool this way:

“these gifts can be quite profitable to a charity which screens them carefully, monitors them regularly and makes smart decisions based on analysis rather than gut reaction.”

ADVANTAGES OF LIFE INSURANCE TO RAISE MONEY FOR CHARITY:

There are many reasons why life insurance could be considered the “Ultimate Endowing Tool” and may be highly useful to your favorite charity. Here are a few:

Guaranteed Benefit: A life insurance policy can provide a guaranteed death benefit. So, assuming premiums are paid, the charity's receipt of a given amount is certain. Compare this with an “at death” gift of real estate or marketable securities that may be subject to wide fluctuations in value.

Leveraged Gift: Life insurance provides an “amplified” gift. A relatively small amount of premiums can translate into a large and meaningful gift. The leverage ratio of death benefit to premiums paid is extremely favorable, perhaps many times more than the charity would otherwise receive from the same donor through a non-life insurance gift.

“Immortality on the Installment Plan:” From a donor's perspective, life insurance can legitimately be considered a way to obtain “immortality on the installment plan”: Almost anyone, regardless of economic station, can assure a meaningful and significant gift, a larger gift to charity through life insurance than by other methods. One charity noted, “when a donor, who has been giving \$5,000 annually to our charity, dies, we lose forever that \$5,000, money which

we have come to depend on. With a life insurance policy for just \$100,000, the donor can endow the gift, and the charity doesn't lose it. The charity invests the \$100,000 after the donor's death, and then spends only 5% each year, and the donor's gift and his/her memory, "lives forever".

Cost Efficient: A life insurance gift is cost-efficient and provides "100 cent" dollars. Arranged properly, there is no "slippage" due to federal estate or state death taxes, state or federal income taxes, administration or estate settlement costs, or any other fees or charges.

No Delay or Uncertainty: Life insurance payable to a charity involves none of the cost, delay, or uncertainty of probate or trust administration.

Little Risk of Contest: The use of life insurance involves a negligible risk of contest. Because of the contractual nature of life insurance and the fact that it passes outside a person's probate estate, there is only a scintilla of a chance the payment of life insurance owned by and payable to a charity could be successfully contested by disgruntled heirs or unhappy spouses.

Publicity Free or Leveraged Honor: The size and even the existence of a life insurance gift can be completely confidential because of the contractual nature of life insurance. On the other hand, amplified recognition is possible if publicity is desired. For example, a "millionaire's club" can be formed to announce each purchase of a policy with a "face value" (initial death benefit) of \$1 million or more.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER ISSUES OF INTEREST CONCERNING YOU, YOUR LOVED ONES, YOUR BUSINESS, OR YOUR FAVORITE CHARITY.

IF YOU PREFER TO RECEIVE "GOLDEN BULLETS" BY EMAIL, PLEASE SEND A NOTE TO ME AT: rwilson@fraserlawfirm.com. Thanks.

"Golden Bullets" is provided as a source of general information about current developments in the practice of estate planning and related topics. If you have questions regarding this issue or estate planning in general, please contact me prior to taking action.

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