GIFTS OF LIFE INSURANCE

Those who wish to make a deferred gift to SVC can do so with a gift of life insurance. Such a gift may allow donors to provide for a larger contribution than they would otherwise feel capable of making. Benefits for donors may include a current income tax deduction for the gift of the policy, continuing income tax deductions for periodic premium payments, removal of the insurance policy from the donor's taxable estate, and the satisfaction that comes with making a gift to benefit SVC students, programs or faculty. NOTE: *You can donate a paid-up life insurance policy and receive a charitable income tax deduction equal to the policy's cash surrender value or cost basis, which ever is less.*

LIFE INSURANCE GIFTS: HOW THEY WORK

Many individuals own existing life insurance policies which they purchased for financial security when they were younger. Changed circumstances may now mean that the safety net provided by life insurance is no longer needed, and the policies have now become suitable assets to contribute to SVC.

What kinds of policies can be contributed? There are two basic forms of life insurance, with many variations.

- **Term insurance** provides coverage only for the specific period covered by the premium but does not provide any internal cash buildup or any benefits other than payment of the face amount of the policy upon the death of the insured. ***Because of these characteristics, term insurance rarely is used for charitable giving.***

- **Whole life insurance** provides continuous coverage as long as any required premium payments are made or the policy is paid-up. Whole life insurance not only provides coverage but has an investment component that is intended to provide an internal build-up of cash value, in addition to the death benefit. ***This type of policy is commonly used for charitable giving.***

What are the current benefits to donors? If Skagit Valley College Foundation is designated as the owner of the policy, the donor may be entitled to a current income tax deduction for the gift of the insurance policy. Also, future premium payments paid by you will qualify for a charitable income tax deduction in the year the payments are made. With a whole life policy, there is an additional advantage–the internal cash build-up in the policy provides a tax-free increase in the size of the gift to SVC, therefore maximizing the contribution.

What are the benefits at a donor's death? If, during his or her lifetime, a donor has designated Skagit Valley College Foundation as the owner of a policy (an irrevocable designation), the insurance proceeds are totally excluded from the donor's taxable estate unless the donor dies within three years of making the gift. If a donor retains ownership of the policy and simply names Skagit Valley College Foundation as beneficiary, the policy proceeds will be included in the donor's taxable estate but these proceeds qualify for a charitable estate tax deduction.

From the charity's viewpoint, an advantage of being the owner of a life insurance policy rather than receiving a gift under a will is that the policy proceeds are generally paid to the beneficiary within a relatively short period of time, following execution of a simple claim form. This may allow the assets to be available for charitable use more quickly than assets that are received under an individual's will.

Are there any special considerations to keep in mind? Yes. If the donors live in Washington, a community property state, spouses may be required to consent to naming someone other than the spouse as beneficiary and/or owner of a policy. Donors should consult their advisors for information regarding their specific situation.

Skagit Valley College Foundation is a 501(c)(3) non-profit corporation as defined by the IRS. For more detailed information please visit our website at www.skagitfoundation.org or contact the staff at SVC Foundation.

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