



LIFE INSURANCE IN AN ENHANCED CHARITABLE TRUST

Four Reasons Why It Makes Sense

Giving to charity can create a legacy that lives on into the future. Charitable legacy planning with an Enhanced Charitable Trust uses life insurance to help you provide a charitable donation, transfer wealth to your loved ones, and enjoy significant tax benefits. An Enhanced Charitable Trust is a type of charitable lead annuity trust which provides an annual income to a charity followed by a guaranteed large final payment to both charity and family. To truly leverage the charitable gift, a life insurance policy is used within the trust.

Here are four reasons why life insurance inside an Enhanced Charitable Trust offers multiple advantages.

Reason 1

Provides a guaranteed amount for charity and family

Life insurance provides the invaluable gift of future support to your loved ones and to a charity that is important to you. A portion of trust assets will be used to buy a life insurance policy with a guaranteed death benefit for both family and charity. The amount that will be provided to them from the life insurance death benefit is guaranteed as long as the sufficient premium is paid. Additionally, life insurance can provide potential stability as compared to other assets because it may not be subject to the same market fluctuations.

Reason 2

Tax-free benefits to your family

Much of the wealth that you plan to transfer to your family could be reduced by estate taxes when you pass away. For example, as much as 70% of the value of an Individual Retirement Account (IRA) or qualified plan such as a 401(k) could be lost to estate taxes and income taxes. However, with an Enhanced Charitable Trust, the assets are outside of your estate and therefore not subject to estate taxes. In addition, your family will receive death benefits from the Enhanced Charitable Trust on a federal income tax-free basis.

Reason 3

May maximize the charitable deduction

Life insurance allows you to leverage your charitable gift, in many cases turning it into a substantially larger ultimate gift for the charity than your initial gift to the Enhanced Charitable Trust. The more the charity will receive, the greater the amount of your charitable income tax deduction. This strategy also gives you the flexibility to determine how much you want to provide to the charity as an annual income and final payment.

Reason 4

Liquidity of final payout for charity

When you pass away, the life insurance death benefit paid out to an Enhanced Charitable Trust is distributed to the charity as a cash lump-sum. Unlike assets which would need to be sold or liquidated in order to receive their value, this final future payment will give the charity immediate access to much needed cash.

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