



Lake Junaluska

LEGACY CIRCLE

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Dear Friends,

It's exciting to see the growth of the Lake Junaluska Legacy Circle over the past two years— with 36 households making planned gift commitments to strengthen and fund future ministry.

What a blessing!

Additionally, a considerable number of steadfast donors have proactively contacted our office to learn how to join, engaging in conversation with their financial advisors and estate planning experts. We cordially invite you to join our Legacy Circle, alongside other charitable supporters who share the same deep affection for this sacred place as you do. By becoming a member, you will play a crucial role in ensuring the longevity of our mission for many years to come.

It's an easy process to join, whether you have already included Lake Junaluska in your estate plans or are currently in the process of doing so. Additional information can be found on our website at lakejunaluska.com/legacycircle, which also provides an array of resources detailing various planned giving opportunities.

In this edition of our Legacy Circle newsletter, we are focusing on the topic of life insurance. This method presents an attractive avenue for Lake Junaluska's friends to make a charitable contribution, as it offers flexibility, cost-effectiveness, and, in many cases, tax advantages when making significant gifts.

Thanks to generous donors such as yourself, Lake Junaluska's mission and ministry continue to receive steadfast charitable support. We deeply appreciate your ongoing commitment and sincerely hope that the provided information proves valuable as you continue to contribute to causes and organizations close to your heart.

With heartfelt gratitude,

Rebecca C Mathis

Rev. Rebecca Mathis
Director of Advancement



How To Make A Gift Of Life Insurance

There are two basic ways to make a gift of life insurance:

- 1) An irrevocable gift of an existing or new universal or whole life policy (permanent life insurance, not term life insurance) where you give up all ownership
- 2) Naming the nonprofit organization as the outright or contingent beneficiary for any type of policy.

Each approach has its unique advantages, as summarized below. While most states allow for a transfer of life insurance to a charitable organization, a few states may restrict such transfers. Accordingly, it is advisable that you consult with your advisor to confirm your ability to make such a transfer.

Strategy #1: Irrevocable Gift of an Existing or New Policy

In considering an irrevocable gift of life insurance for the benefit of Lake Junaluska or another nonprofit, two options are available.

Gift of an existing policy: If you own excess life insurance, you might consider making an irrevocable gift of the policy to a charity. If complete ownership is transferred to the nonprofit and the charity is named as the beneficiary, the gift will generate an immediate charitable income tax deduction.

Gift of a new policy: You may take out a new policy and irrevocably

name the nonprofit organization as the owner and the beneficiary of the insurance contract. This can be an attractive strategy if you are a younger donor, because the premium cost is usually low compared with the ultimate death benefit that will accrue to the charity upon the donor's death. Whether you make one single premium payment for the policy or pay premiums annually, each payment produces a charitable income tax deduction.

The Benefits of an Irrevocable Gift of Life Insurance

Lake Junaluska and its donors receive several benefits as a result of irrevocable gifts of life insurance to support our work:

1. **Simplicity** - Giving life insurance is not complicated because the transaction is easily handled by your life insurance agent. There should be little or no legal fees with which to contend.
2. **Immediacy** - If Lake Junaluska is named as the beneficiary of a life insurance policy, then upon the insured's death, life insurance proceeds are generally paid without delay; the funds can be quickly applied to the purpose(s) that you designated.
3. **Confidentiality** - Unlike a will that is subject to probate proceedings, a gift of life insurance is not subject to public scrutiny and can be a private matter between Lake Junaluska and the donor, if desired.
4. **Deductibility** - As a charitable contribution, a gift of life insurance can provide you with a

Federal income tax deduction if Lake Junaluska is made the owner and the beneficiary of a policy that has a cash value. In the case of a donated policy, if the deduction amount exceeds \$5,000, you must seek an independent appraisal and file a Form 8283 with your tax return. Such gifts may be deducted in an amount up to 50% of your adjusted gross income and any excess may be deducted within the next five years, subject to the same 50% limit each year. (If you retain the ownership of the policy and name Lake Junaluska as the beneficiary, you are not entitled to an income tax charitable deduction.) There are two ways that a gift of the ownership of a policy may be deducted:

- a. If a fully paid-up policy is given, the amount of the charitable deduction is usually the lesser of the policy's replacement value or the donor's cost basis.
- b. If there are remaining premiums to be paid, the deduction is an amount slightly more than the policy's cash surrender value.

5. **Certainty of Full Payment** - Lake Junaluska can receive the policy proceeds upon proof of death of the insured. The gift is not reduced by administrative fees or taxes. In contrast to assets passing under a donor's will or living trust, life insurance may not be subject to claims by heirs or creditors (absent any gift found to be in fraud of creditors).

6. Major Gift for Modest Cash Outlay - Although the amount to purchase life insurance may be relatively small, it can provide a major gift to Lake Junaluska. Funds from life insurance may also enable endowment gifts that keep on giving (i.e. endowing funds to preserve the lake and dam). For some, life insurance may be the only way to make a lasting and generous gift.

Strategy #2: Naming Lake Junaluska or Another Charity as a Primary or Contingent Beneficiary

If you want to retain maximum flexibility, Lake Junaluska or another charity can be named as either primary or contingent beneficiary of the policy. This will not produce an income tax charitable deduction upon the designation of the charity as beneficiary, nor will it produce an income tax deduction for subsequent payments of future premiums on the policy. But it does afford you a full estate tax charitable deduction when you die and the charity benefits. The concept of naming one's favorite charity as a contingent beneficiary of a policy could be a good strategy for a childless married individual who wants to assure maximum protection for his or her spouse



while both spouses are alive yet wants to provide a benefit to the charity if the primary beneficiary predeceases the insured or both perish in a common disaster.

A Third Strategy that Provides Immediate Benefit: Asset Replacement Through Life Insurance

Perhaps you're interested in making a substantial charitable gift but feel constrained by family financial security goals. For some, the thought of depriving family members of inheritance or assets they might need for emergencies or unforeseen circumstances that require significant funds provides a barrier toward achieving charitable giving goals.

Consequently, would-be donors lose the personal satisfaction of fulfilling their philanthropic objectives and also lose the income tax and/or estate tax savings available to those who make charitable gifts and bequests. An "asset replacement" strategy can achieve all these objectives.

As part of a comprehensive philanthropic, estate, and financial plan, it might be more advantageous to donate a highly appreciated asset, such as property or stock, to Lake Junaluska, because you will usually be able to take a charitable deduction for the fair market or appraised value of the asset. Once the asset is in the hands of the charity, there will be no capital gains tax on the subsequent sale. You, in effect, get a double benefit – a substantial deduction and elimination of the capital gains tax. The charity receives its benefit when it might be most needed rather than having to wait. Your heirs also benefit even though these assets will no longer be available for inheritance. This is where life insurance can play an important role.

You can purchase a life insurance policy that provides your heirs with a cash payment at your death, replacing the assets given to charity. For example, if you made a charity the beneficiary of your IRA upon death, life insurance can be used to replace the value of your IRA that might have gone to other heirs and your IRA passes to the charity tax free. Additionally, if your life insurance policy is purchased and held by an irrevocable life insurance trust, the insurance proceeds can pass to your heirs free of estate taxes.



Conclusion

A gift of insurance provides great flexibility to meet charitable giving goals. Most donors and nonprofit organizations think of life insurance only as an asset that produces a future benefit for the nonprofit organization. However, by using the asset-replacement strategy to meet the needs of the donor's family and the nonprofit, charitably-inclined individuals can truly get the most out of their financial, estate, and philanthropic goals.

We would be happy to provide information on the ways in which life insurance can help you achieve your objectives and at the same time support Lake Junaluska. Reach out to the Office of Development about ways to have a greater impact through the Lake Junaluska Legacy Circle. Thank you!

To determine how best to use life insurance as a charitable gift, we recommend the following checklist as part of an annual financial review:

Life Insurance Checklist

- Do I have an up-to-date list of all my policies?
- Where are my policies kept? Are they in a safe or readily available place?
- Do I know what they cover and who the beneficiaries are of each policy?
- Is there any reason for me to consider changing my beneficiaries?
- Is my insurance still needed? All or a part of it?
- Do I need additional coverage?
- Is my spouse thoroughly familiar with the coverage provided by the policies?
- Am I using my dividends in the best way?
- Are any of my policies paid up or about to be paid up?
- Is my premium payment plan (monthly, quarterly, semiannual, annual) still the best for me?
- Would it be advantageous to change the ownership of my policies?
- Have I borrowed against any of my policies? How much?
- What is the current cash value of each of my policies?
- Should I consider converting or donating any of my current policies?
- Do I have clear instructions for my heirs on how to locate documents, web sites, and online passwords to successfully access life insurance policies and related information?
- Have I checked with my agent to see if there is a more cost-efficient product that might replace an existing policy?



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This Estate Planning Newsletter has been prepared as a resource for friends of Lake Junaluska.