

Giving Beyond Your Lifetime: The Power of Life Insurance in Charitable Gifting

What if your legacy of giving could extend far beyond your lifetime? Life insurance, often viewed solely as a financial safety net for families, can also serve as a powerful tool for charitable giving. By incorporating life insurance into your estate planning, you can support the causes closest to your heart, demonstrating stewardship and faith in action. For Catholics, this approach aligns beautifully with the call to serve others and build a better world.

Understanding Life Insurance as a Giving Tool

Life insurance offers a unique way to make a significant contribution to a charity without requiring a substantial upfront donation. When you name an organization, parish or other charitable cause as the beneficiary of your policy, the charity receives the death benefit directly upon your passing. This gift will often exceed the total premiums you've paid, making it an efficient way to amplify your generosity.

Consider the case of a donor who takes out a \$250,000 life insurance policy and designates The Orange Catholic Foundation as the beneficiary, with a designation for their parish or favorite charity. Over their lifetime, they may pay a fraction of that amount in premiums, yet they leave a gift of the full \$250,000—a transformational gift.

Identifying the Right Beneficiary

Choosing the right recipient or even splitting the gift between multiple charities is a crucial step. Common options include:

- Local parishes or dioceses
- Catholic schools or universities
- Catholic charities addressing poverty, education or healthcare
- International missions or relief organizations

When selecting a beneficiary, consider the organization's mission alignment, financial stewardship and the potential impact of your gift. Researching the charity's reputation and effectiveness will ensure your contribution is used wisely.

Structuring the Gift

There are multiple ways to incorporate life insurance into your charitable giving strategy:

1. **Name the Charity as a Beneficiary:** This is the simplest option. You retain ownership of the policy, but the charity receives the death benefit.
2. **Transfer Ownership to the Charity:** By transferring ownership of your policy to a Catholic organization, you may be eligible for immediate tax benefits. The charity assumes responsibility for premium payments, though some donors choose to continue funding the policy.
3. **Use Dividends from Existing Policies:** If you have a policy with annual dividends, you can direct those funds to your chosen charity.

4. **Purchase a New Policy:** Create a new policy specifically for charitable purposes, ensuring your legacy aligns with your philanthropic goals.

It's important to consult with financial advisors, estate planners or legal experts to structure the gift in a way that maximizes benefits for both you and the charity.

Communicating Your Intentions

Transparency is key when planning charitable gifts. Openly communicate your intentions with your family to prevent misunderstandings and ensure your wishes are respected. Additionally, inform the charity about your plans. This allows them to better understand your vision and potentially plan for the use of your gift.

Maintaining Your Plan

Life circumstances change, and so might your philanthropic priorities. Regularly review your life insurance policies to ensure they remain aligned with your current goals. Update beneficiaries as needed and verify that your contact information with the charity is accurate. Periodic reviews with your financial advisor can help you optimize your giving strategy, ensuring your charitable legacy remains intact.

Leaving a Lasting Legacy

Incorporating life insurance into your charitable giving plan is a powerful way to live out your Catholic values and extend your impact beyond your lifetime. By leveraging this tool, you can make a transformative difference for the causes you care about most, while embodying the spirit of stewardship and faith.

The Catholic philanthropy team at The Orange Catholic Foundation is happy to provide guidance on the technical aspects of naming beneficiaries and work with your advisors. This collaboration makes the process even smoother. To schedule a time to talk, reach out to us at 714.282.3021 or info@OrangeCatholicFoundation.org.

Please note The Orange Catholic Foundation does not provide tax, legal or accounting advice. This material is prepared and made available for informational purposes only.

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