



A SIGNIFICANT GIFT OF AN OFTEN OVERLOOKED ASSET

A Significant Gift of an Often Overlooked Asset

It is somewhat common to find that a life insurance policy purchased at one stage of life is no longer needed at a later stage. You may have purchased life insurance when you were younger and starting a family to protect your family in the event of your premature demise. That was financially prudent. Fortunately, you have seen your children grow into adulthood and that life insurance policy that was intended to protect your young family financially is no longer needed. Combine that with being at a stage in life when you desire to increase your philanthropic support of Portland State University. You now want to make a significant gift without depleting investment accounts earmarked for retirement. Making a gift of a no longer needed life insurance policy may be right for you.

Insurance policies come in all shapes and sizes

There are many variations of life insurance policies. The financial benefits derived from making a charitable gift of a life insurance policy will depend on the type and terms of the policy used for the gift. The summary below is intended as an overview of ways to make a gift using life insurance. You should consult your insurance professional when considering a gift of this nature.

Common Ways to Use Life Insurance to Make a Charitable Gift

- ▶ Transfer Ownership of a Paid-up Policy – (Whole Life, Variable Life, or Universal Life) If you assign ownership of the policy to Portland State University and name Portland

State University as the beneficiary, and if no further premiums are required to keep the policy in effect, you will receive an immediate income tax charitable deduction for the lesser of: (1) replacement value of the policy (the current single premium cost of purchasing a policy with the equivalent coverage given the insured's current age and state of health); or (2) the adjusted cost basis of the policy (total premiums paid with adjustments).

- ▶ Transfer Ownership of an Existing Policy with Premiums Still Owing (Whole Life, Variable Life, Universal Life) If you assign ownership of the policy to Portland State University and name Portland State University as the beneficiary, and there is some cash value in the policy but additional premium payments are required to keep the policy in effect, you will receive an immediate income tax charitable deduction for the lesser of: (1) the "interpolated terminal reserve value," (basically the cash reserve value subject to certain adjustments); or (2) the adjusted cost basis. Both calculations can be obtained from the insurance company. You will be entitled to additional charitable deductions for the future premiums you pay either directly to the insurance company or to Portland State University, in which case Portland State University will, in turn, make the premium payments.
- ▶ Name Portland State University as the Beneficiary of a Policy (all types of insurance, and particularly for term policies) You can retain ownership of an insurance policy but name Portland State University as a beneficiary for either the entire death benefit or a portion

thereof. You can do this for a policy that you own or in many cases for a group term contract. You have the right to change the beneficiary at any time. You will not receive any tax benefits during your lifetime, as the gift is revocable. At your passing, assuming you are the insured, the amount of the death benefit going to Portland State University will be included in your estate, but your estate will be entitled to a corresponding estate tax charitable deduction should the estate be subject to estate taxes. Naming Portland State University as the beneficiary is especially common for term insurance policies where the policy only remains in effect for a year-to-year basis provided premiums are kept current.

Important Considerations for Gifts of Life Insurance

- Always consult your financial advisor for how a gift of life insurance will impact you. Also, the company issuing the policy can provide information to assist in determining the amount of the charitable deduction, if applicable.
- A qualified appraisal meeting IRS requirements and the filing of Form 8283 (“Noncash Charitable Contributions”) may be required to substantiate your charitable deduction, if the gift qualifies for a charitable deduction.
- Portland State University has Gift Acceptance Policies for accepting gifts of life insurance policies. Please contact our Gift Planning office if you are considering a gift of life insurance.

We are here to assist

If you have questions please contact our office of Planned Giving at **503-725-8307**, or by sending an email to conwaym@psuf.org.