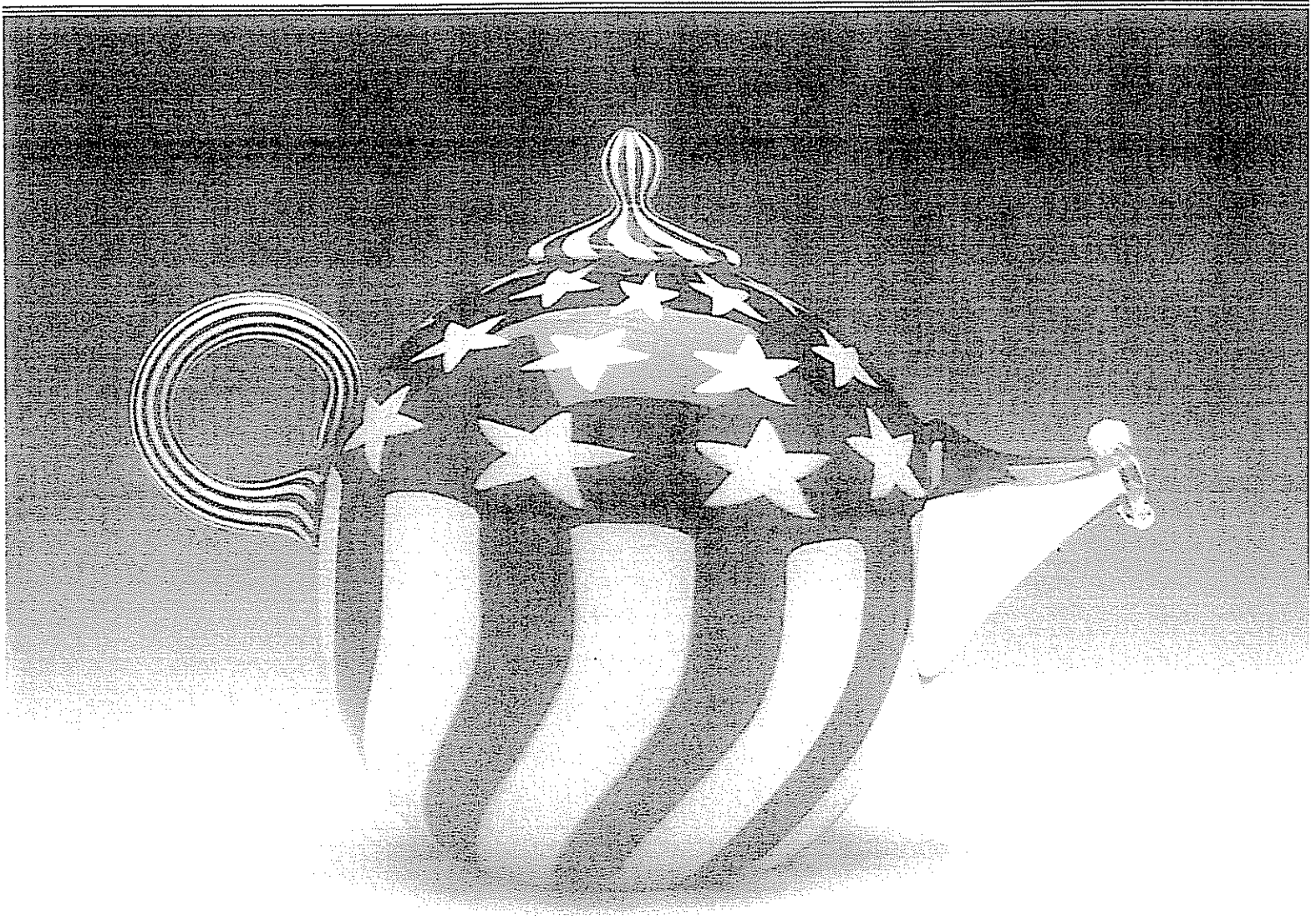


The Professional Journal for the Gift Planning Community  
Published by the National Committee on Planned Giving®

# The Journal of Gift Planning®

Volume 10, Number 3 3rd Quarter, 2006



# Life Insurance and Charitable Planning: How to Stay on the Right Side of the Comfort Line in the (Quick) Sand

*Stephan R. Leimberg and Randy L. Zipse*

*"A pioneer is a person lying face down with arrows in his back."*

*"The lead dog in a dogsled takes all the risks - but only the lead dog gets to see new scenery."*

*The trick in integrating life insurance and charitable planning is to find the proper balance between these two!*

## INTRODUCTION

Almost every active charity will at one point or another be approached with a life insurance "plan" that purports to do great things for the charity. Some of the promoters of these arrangements will claim that the plan costs neither the charity nor the donor anything, and that there are few if any downsides. The number of such insurance programs being aggressively marketed to charities has grown exponentially over the last few years, and few have not been approached with a charitable life insurance proposal.

Of course, we all know that there are no free lunches. As corny as it sounds, the old saying, "If it looks too good to be true, it probably is," IS true. There's always a cost—many times it's hidden, even if not intentionally. There are inevitable costs of insurance, borrowing, commissions and ongoing administration, as well as internal costs in terms of time and energy staff must devote to learn, administer, and monitor. Unfortunately, all too many charities have been burned with legal and ethical but overly optimistic charity-owned life insurance arrangements, where premiums that were to have "vanished" not only never did, but climbed to such embarrassing levels that the charity's relationship with the insured donor was strained or even threatened. One development officer told us that, "at the point where the donor/insured was ready to say to himself, 'I'm done' and to us, 'bring on the 50-yard-line Million Dollar Donor seat tickets,' the plan was so far under water that we were spending annual funds to keep it floating."

Abstract: The authors discuss issues to consider when analyzing planned gift proposals that include life insurance components. They also discuss a number of life insurance options that work well as charitable gifts. Syllabus for Gift Planners code: 3.01.08

Worse yet have been the outright “never could or never should work” schemes, such as charitable split-dollar<sup>1</sup> and investor initiated and owned<sup>2</sup>CHOLI<sup>3</sup>. The latter two schemes have incurred Congressional wrath and inspired legislation that would either bar or severely discourage such arrangements, but not until much time and money was wasted and more than a few charities and donors harmed. These ploys couldn’t work on many levels, but the single most important is that they violated the principle that, “A gift is not a deal, and a deal is not a gift. Charity is about giving, not taking!” The IRS and the various states’ Attorneys General are ultra-sensitive to all dealings with charities where there is—or may be—a motive other than detached, disinterested generosity, and/or where the donor receives a benefit from the transfer that is more than incidental and insubstantial. And the officials are rightfully watching everyone involved. The consequences to both charity and donor, as well as to promoters, advisors, agents or brokers or even insurers, can be quite severe if the planning, the implementation, or the review process is flawed.

Charitable planners and development officers are no different than any other professional, or any other human being, in the respect that one of their most important yet difficult daily tasks is balance. This article is about how to maintain a proper balance with respect to deciding whether to (1) reject life insurance proposals outright, (2) give them full, immediate and serious consideration or (3) table them until some appropriate time in the future. The process requires a balance of objectivity, efficiency, knowledge,<sup>4</sup> extra effort, uncommon common sense, open-mindedness,<sup>5</sup> courtesy, professionalism and sometimes a great deal of personal integrity and courage. One planned giving director told us, “These CHOLI cases are very big numbers, and the players are often very high powered, and sometimes high powered people get that way, and stay that way, by a combination of smooth talk and intimidation, especially by being on our board or through a friend on the board. It’s hard to say ‘no,’ but I did. I had to because it was the wrong thing to do.”

You may be a donor, a fund raiser, development officer, charitable executive, board of directors member or insurance

salesperson. You may be so excited about what looks like a great way to benefit your favorite charity that you don’t want to know or want to be bothered with what you are about to read. But if you care, you must both read and react. In fact, if you are an insurance agent, keep reading because you need to know the mistakes others, less ethical or less concerned than you, have made and what to do to avoid them. And if you are involved in the decision-making process at any level, you must know the many positive things about life insurance and how it can benefit charity in simple, ethical and easy to implement and manage ways.

#### FEARS AND CONCERNS

When the subject is a complex and misunderstood product such as life insurance, fear and concern are among the root causes of misunderstanding between advisors and charities. Because of that misunderstanding, potential donors too often retain their potential status. Gift planning consultant Kathryn W. Miree has noted that, “There is poor communication among advisors. Not only is the gift planning process stymied by poor communication between the advisor and the nonprofit, it is also hindered by poor communication (and competition) among the donor’s many advisors. Attorneys, accountants, financial planners, insurance professionals and other advisors often fail to share information with one another and may have a mistrust of the motives of the donor’s other (competing) advisors.”<sup>6</sup>

To begin to allay this fear, we’ll look first at the concerns about life insurance often expressed by those tasked with raising money and making decisions on planned giving for charities. These are the comments of a group of gift planners representing a diverse set of organizations who have dealt recently with eager promoters of gifting programs involving life insurance.

**Time, Energy**— “I don’t have the staff time, knowledge, energy, money or other resources to hire counsel/experts to investigate every life insurance scheme that comes along.” “I could spend my whole life analyzing these plans.” “No sooner have we investigated one arrangement than another comes along!”

**Public Relations**— “We don’t want to be betting against our donors’ lives! We want our donors to enjoy long lives and continue to make annual gifts.” “If we go along with this, we’re risking our organization’s reputation.”

**Cash Flow**— “We are driven by annual gifts, and life insurance gifts by definition are delayed gifts!”

**Knowledge**— “I’m just not comfortable with life insurance; it scares me.”

**Uncertainty**— “We will not know if this thing ‘works’ for years, or maybe even multiple lifetimes.”

**Follow Through**— “After we purchased the insurance and it didn’t perform as expected, there was no one there to tell us what went wrong, why or what our options were.”

**Exploitation**— “What’s often touted as a great thing for charity typically turns out to be a scheme in which the agent can make lots of money.” “I felt like they were exploiting our organization’s relationship with our donors. All the advantages were channeled toward the marketers.” “The donors would give us their lives; it was a shell game to make money for the investment company.”

**Best Interest**— “We didn’t get involved, not because we



Make it Last.

Across market cycles.

Over generations.

Beyond expectations.



**Mellon**

To learn more about Mellon’s Charitable Gift practice, please contact Eileen Foley, Managing Director – Sales, at 617-722-7832 or [foley.e@mellon.com](mailto:foley.e@mellon.com).

[mellonprivatewealth.com](http://mellonprivatewealth.com)

couldn't have made a lot of money doing it, but because it would not have been in the best interest of the donors—and we put our donors first.” “They were selling a product (packaged solution) and not offering a service particular to our charity and that donor.” “There may be better assets for that donor to give.”

**Relationships**— “It appeared to be the lazy man’s way to raise money. It totally bypassed relationship building.”

**Right Thing:**<sup>7</sup> — “Above everything else, we have to maintain our integrity!” “There is a difference between what’s legal (technically compliant), and what’s right, and this just didn’t feel right!” “There was no charitable intent. It didn’t start and end with a donor who wanted to make a difference!”

#### HOW TO BEGIN THE ANALYSIS PROCESS

The analysis of a given proposal should start with an examination of its ability to produce a positive net value for the charity, and simultaneously assist the donor in the achievement of his or her charitable objectives. We strongly suggest you begin this analysis with the National Committee on Planned Giving’s *Charitable Life Insurance Evaluation Guidelines: A Tool for Charitable Gift Planners*,<sup>8</sup> which suggests an approach to evaluating the ethics, legality, practicality and charitable intent of sophisticated insurance gifting plans. It supplements NCPG’s *Model Standards of Practice for the Charitable Gift Planner*, and suggests appropriate steps for gift planners and donor advisors to take when exploring the viability of a diverse array of charitable insurance applications.

The Guidelines insist on three *sine qua non* considerations:

- (1) **Philanthropic motivation**—The donor’s strong desire to support the work of the specific charitable institution should be the well-spring of the gift.
- (2) **Disclosure**—There should be complete disclosure to both the donor and the charity of every party’s role and relationship.

(3) **Public trust**—All the parties involved should act with fairness, honesty, integrity and openness and, except for fully disclosed fair and reasonable compensation for services rendered, should have no vested interest that could result in personal gain or cause a conflict of interest with either the donor or the charity.

In a nutshell, even before you begin to critically examine whether or not their tool or technique “works,” and all throughout your analysis, you must ask, “Are the marketers and donors involved really trying to do something wonderful for our organization, or is their objective mainly to take something valuable and important from it? Is there true philanthropic intent?” What does your instinct tell you?

#### QUESTIONS TO ASK YOURSELF AND THE PERSON MARKETING THE PROPOSED ARRANGEMENT

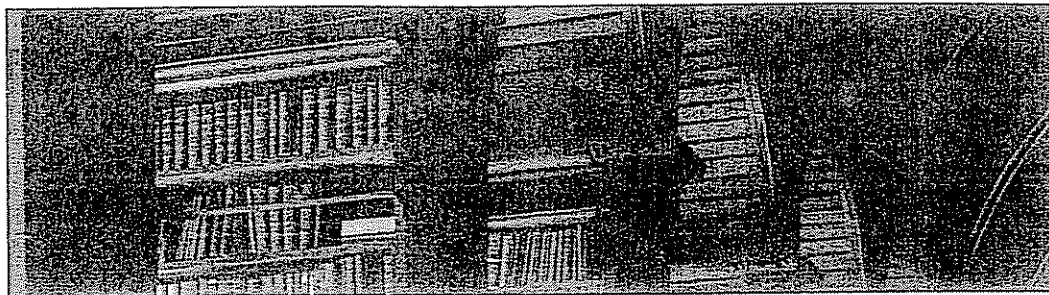
Here are some questions that must be asked by all of those involved in the decision-making process. There is no “right” order or number of questions, but if most or all are asked and answered positively, you’ll significantly increase the probability of an outcome that will please all parties. An easy rule of thumb is to “stop when you reach the limit of your comfort level.” But at the same time, you have a professional responsibility to your donors and your charity to continually expand your knowledge base. You may not want to be a pioneer, but you also don’t want to be the last dog in the dogsled team.

**Doing Diligence First:** “How can I tell if the person trying to sell us is reputable? What’s the promoter’s background? Is he (are they) willing to provide us with names and phone numbers of references?” Before you do anything, you should check with charities that have actually implemented this arrangement with this marketer to find out their experience, success, problems and concerns, before spending more of your time and energy. (If the promoter responds that “we’re *working with...*” it’s similar to the “he attended Harvard” response.) How many of these plans has the promoter in fact set up? Do you want (and can you

afford) to be the guinea pig, the first to help the promoter prove the merit of his proposal?

**Does It Make Sense?** Can you really understand (have you been shown) each step in the process? Does it make sense? How clear is it—really? What don't you understand? Does it seem to have a lot of "moving parts" (the breakdown of any one of which could prevent the plan from working)?

**Who Backs It?** Is a major and well-known insurer backing the proposal? Are they willing to provide you with a letter from their general counsel assuring your organization that the tax and other representations are correct? Call the insurer's advanced markets department to discuss the concept that is being proposed. Insurance companies see many concept sales involving the use of life insurance, and may have experience with the idea that is being proposed to you. Although insurance companies do not generally provide written tax advice, they are usually more than willing to discuss the risks of charitable programs. Note that insurers often see their names used in the promotion of sales ideas that have not been reviewed by the insurer. Calls from charities and advisors to donors are often the only means that an insurer has to see how insurance professionals are promoting the use of their products.



## LEAVING A LEGACY IS ABOUT MORE THAN MONEY. IT'S ABOUT BUILDING GENERATIONS OF TRUST.

Consider what's at stake in attracting and managing significant contributions to your institution. Not just dollars and cents, but also the trust of donors, who want their spirit and purpose nurtured long after they are gone.

Now you understand why a number of institutions turn to TIAA-CREF Trust Company, FSB for comprehensive planned giving services, including charitable trusts, gift annuities, tax services, institutional mutual funds and portfolio management. We offer you the kind of proven talent, guidance, and innovation that can help your programs run more efficiently—and help boost donor trust and satisfaction.

And, best of all, we're part of the TIAA-CREF group of companies, known for integrity, outstanding service, and commitment to values...yours and those of your donors. After all, for over 85 years, TIAA-CREF has been dedicated to serving those whose achievements serve the greater good. Now—and for generations to come.

[www.tiaa-cref.org/trust](http://www.tiaa-cref.org/trust) 888-842-9001



**What's My Gut Reaction?** If you were (a) the IRS (b) the head of your state's tax revenue department, (c) your state's insurance commissioner, (d) your state's Attorney General, (e) a member of your board of directors or (f) your charity's most loyal, consistent and greatest supporter, how would you initially react to this proposal?

**Risk Reward:** What are the assumptions/variables that, if they do not work as planned or projected, could significantly affect the proposal's outcome?<sup>9</sup> What downsides, disadvantages, or exposures are faced by your organization and your donor(s)? Did the promoter give you a best/worst/probable range of rewards and costs? What is

*continued on page 46*

the maximum downside (or upside) if interest rates, mortality assumptions and the cost of insurance increase or decrease beyond expected and anticipated parameters? Is there a back-up plan? What if you start this project, and for some reason have to cut back or stop? Is there a well defined exit strategy, and if so, what's it going to cost (what fines, penalties or other costs will be incurred)? How long does it have to run for it to "work" (from your point of view)? What guarantees and specific promises is the promoter and/or insurer willing to make?<sup>10</sup> "What is our organizational risk-taking propensity, and does the proposal contain risks beyond our tolerance levels?"<sup>11</sup>

**Internal Time/Effort/Money:** What additional human resources effort or financial commitment will this require of your staff, initially and continually?

**Legal and Tax Aspects:** Do you have to sign a nondisclosure agreement?<sup>12</sup> Will there be securities/UBTI/private benefit/private inurement,<sup>13</sup> etc., impacts? Will your tax-exempt status be risked if, in the implementation of this proposal, you provide inappropriate and obviously disproportionate benefits to an investor group or business? Do you have the requisite insurable interest?<sup>14</sup> How dependent is success on an as-yet unobtained favorable interpretation by the IRS of a combination of steps? What would be the impact on success if Congress, a state legislature or a court were to change the specific law upon which success is based? Are there restrictions on your organization's ability to discontinue paying premiums and/or divest itself of the life insurance at some future date?<sup>15</sup>

**Money/Cash Flow Concerns:** How long will you have to wait for the money you were promised under this proposal—and can you afford that time delay? Does the proposal fit in with your organization's current cash flow/short/long term needs? Can you afford to divert resources/money from today's demands? (Can you afford *not* to think about your organization's future?). Will you have to borrow money<sup>16</sup> to finance insurance premiums?<sup>17</sup> Even if you do not, how will the arrangement impact your

organization's credit status? How will the transaction be shown on your books? Can you live with the inability to know when you will receive cash flows from insurance proceeds?<sup>18</sup> What portion of your investment portfolio—and long-term success—will be represented by this plan?

**Donor Issues:** Will donors not make annual gifts, thinking that this "gift" (allowing the charity to benefit from their deaths) is "their" gift? Is the "donor" allowing the purchase of life insurance on his or her life by the charity, or by a stranger investor group, in order to make what is perceived as a gift without spending money or committing time/energy? In other words, will the donor consider that, with little or no cost to him, "this could be my gift?" ("I can get a lot for a little," and "I can use this as an excuse to lower my other contributions.") By allowing a large life insurance policy to be purchased on his or her life, even though a very small percentage of the death benefit may ultimately benefit the charity in a typical charitable premium financing arrangement, the donor may justify to himself that he has made a major contribution to the charity, resulting in a decision not to make another provision for the charity.<sup>19</sup>

Is there a "leak in the pipeline," such that someone other than the charity or its beneficiaries/clients will profit? What, aside from the pleasure of benefiting the charity's objectives, does the donor receive or expect to receive? Are the donor's expectations realistic, ethical and legal? From the donor's perspective, is this the best type of gift for her to be giving? What impact, if any, will the program have in attracting new (and true) donors, and on the retention and encouragement of current benefactors? What would the fallout be if, after a donor participates, he finds he is restricted, limited or totally unable to purchase additional insurance for personal or business needs?<sup>20</sup> What happens if a long-time donor becomes involved in a financed life insurance arrangement with your organization, puts up his own assets as collateral, and for whatever reason the arrangement does not perform as projected? What will the impact on your relationship be?<sup>21</sup>

What happens when you're last to the table?  
Individuals give more than \$180 billion  
to charity each year.\*

Get to the table faster with **WealthEngine**  
WITH WEALTH ID .COM  
and forget about crumbs.

**"Ickyness" Factor:** Does a donor have to die for our organization to profit? How will our supporters react when they know our organization has a vested interest in their premature death (i.e., you are betting against their longevity). Are there ethical issues or adverse perceptions? Will it feel and sound just plain "smarmy?" Would your supporters' answers change when they discover that strangers will end up having a financial stake in their life expectancy (the shorter the better), and that your charity will probably lose money or never collect what's expected if they live too long? How will supporters feel when they find that the investors will have the right to obtain confidential financial and health information on plan participants—in some cases, for the rest of their lives?

**Competency:** Do you have a sufficiently competent staff and legal counsel, or can you cost-effectively hire independent advisors who are able to conduct a present value analysis of your expected outlays and compare that with the present value of your anticipated economic benefits (the death benefit expected to be received from the policy or policies) in the future, or provide you with an objective comparative analysis of various policies and financial soundness,

- Over 25 top databases with current, hard-asset information
- Donor screenings & web-based research center
- New! Proprietary stock info. & news alerts
- Donor management system integration
- Great training & customer support
- Solutions for every budget

Get to know your donors & prospects better  
with **WealthEngine.com**. Fast, online marketing  
tools to help you monitor your donors &  
cultivate them more effectively.



**WealthEngine**  
WITH WEALTH ID .COM

[www.wealthengine.com](http://www.wealthengine.com) (301) 215-5980 [info@wealthengine.com](mailto:info@wealthengine.com)

\*Source: Giving USA 2005, a publication of Giving USA Foundation, researched & written by the Center on Philanthropy at Indiana University



credit rating and debt rating of the insurance company(ies) involved?<sup>22</sup> Do you have, or can you obtain at a reasonable cost, legal counsel who can assure you that the program complies with applicable state insurable interest and other laws?<sup>23</sup> What training did the salesperson have in philanthropy?

**What Are Your Obligations?** What debt instruments, contracts or other legal instruments will you have to sign, and what is the maximum extent of your financial and other obligations under those documents? Do you have to provide any collateral or other guarantees? In the case of financed life insurance, although the policy's cash value is usually the primary collateral, lenders often require other assets. That means those other assets may be at risk if the insurance policy fails to perform as projected. Lenders don't always renew financed life insurance. What if the loan becomes due and there are not sufficient dollars in the policy to pay it off? What if, for any reason, the lender "calls" the loan?

Is it possible for you to lose assets if you go through with this proposal? If the assumptions made do not in fact occur, will additional premium payments be required from either us or our donors or will the death benefit we've anticipated be reduced? One of the assumptions behind financed life insurance is that the donor will continue to pay the interest charges. But what if she doesn't? What if the donor suffers a reversal of fortune, or needs to channel cash toward a failing project and can't or will not continue to pay the interest on the charity owned policy? It is possible that if the charity can't or will not pay the interest, the premium financed life insurance program may collapse.

#### ADVANTAGES OF LIFE INSURANCE

As we stated in the introduction, life insurance is a powerful and positive charitable tool, when used properly in the right circumstances. Nationally known consumer advocate and insurance analyst JJ MacNab, co-author of *The Tools and Techniques of Charitable Planning*, notes, "these gifts can be quite profitable to a charity that screens them carefully, monitors them regularly and makes smart decisions based on analysis rather than gut reaction."<sup>24</sup>

There are many reasons why life insurance could be considered the "Ultimate Endowing Tool."

1. A life insurance policy can provide a guaranteed<sup>25</sup> death benefit. So, assuming premiums are paid, the charity's receipt of a given amount is certain. Compare this with an "at death" gift of real estate or marketable securities that may be subject to wide fluctuations in value.

2. If the insurance policy is given to or originally owned by a charity, assuming premiums are paid, the gift can't be revoked by the donor. So, rather than a "maybe someday" gift that might never be made, charity-owned life insurance, particularly if it is a single premium or paid-up or soon to be paid-up contract, can be thought of as a "right here, right now" gift. One planned giving director told us, "A paid-up or almost paid-up policy makes a wonderful gift—and in fact may be the best possible asset for a person to give us."

3. Life insurance provides an "amplified" gift. Incredible leverage is possible. As one of the planned giving director illustrated with her own gifts, a relatively small amount of premiums can translate into a large and meaningful gift. The leverage ratio of death benefit to premiums paid is extremely favorable, perhaps many times more than the charity would otherwise receive from the same donor through a non-life insurance gift.

The planned giving director told us, "I'm both a fundraiser for and a donor to my charity. At the time of my first gift, I was working for a corporation that provided matching funds. I joined an active program with many younger donors, through which each of us made affordable planned gifts. We each were insured under a policy on our lives that would be fully paid up in only five years. The charity was named owner and beneficiary. At my death, the charity gets \$25,000, a significant gift I could not otherwise afford to make."

4. From a donor's perspective, life insurance can legitimately be considered a way to obtain "immortality on the installment plan." Almost anyone, regardless of economic

station, can assure a meaningful and significant gift, a larger gift to charity through life insurance than by other methods. Another planner notes that “when a donor, who has been giving \$5,000 annually to our charity, dies, we lose forever that \$5,000, which we have come to depend on. With a life insurance policy for just \$100,000, the donor can endow the gift, and the charity doesn’t lose it. The charity invests the \$100,000 after the death of the donor, and then spends only five percent each year, and the donor’s gift and his/her memory, lives ‘forever.’”

5. A life insurance gift is cost-efficient, and provides “100 cent” dollars. Arranged properly, there is no “slippage” due to federal estate or state death taxes, state or federal income taxes, administration or estate settlement costs or any other fees or charges.

6. Life insurance payable to a charity involves none of the cost, delay or uncertainty of probate.

7. The use of life insurance involves a negligible risk of contest. Because of the contractual nature of life insurance, and the fact that it passes outside a person’s probate estate, there is only a scintilla of a chance the payment of life insurance owned by and payable to a charity could be successfully contested by disgruntled heirs. Nor can a surviving spouse intercept the policy proceeds payable to a charity. A spouse may elect against the decedent’s will, but it will not endanger a charity’s claim to policy proceeds because the insurance money passes by contract to the charity outside the probate estate.

8. The policy owner has the right to borrow or use policy cash values as collateral as soon as they develop. If the charity is the owner of the policy, it can use policy values for any reason whatever at any time. These cash values are obtainable almost instantly once they accrue in the policy. If the donor is the owner of the policy, he or she can use policy values for any reason at any time.

## Are You Working with CGA Reinsurance Experts?

**W**e are leaders in the field of charitable gift annuity reinsurance, with experience spanning 10 years.

**You receive** a reinsurance brokerage service that provides objective analysis, design, product placement, installation and on-going service.

### Need more proof?

- ✓ We’ve reinsured more than 175 CGAs with 27 local, regional and national charities, totaling \$16+ million.
- ✓ We guarantee the best quotes in all 50 states—or your charity receives a \$1000 gift from us.
- ✓ We consult with insurance companies on the design/marketing of their CGA reinsurance.
- ✓ We’ve developed proprietary optimization models to determine how much, if any, should be reinsured.
- ✓ We help educate your staff and volunteers on reinsurance, and we ensure payment flow, disclosures, 1099s and FASB calculations are set-up correctly.

Bryan Clontz, CFP – President  
Mack Johnston, CFA – CEO/COO  
Don Behan, Ph.D., FSA – Consulting Actuary

**Charitable  
SOLUTIONS, LLC**  
*Leveraging Risk Management Knowledge*

404.375.5496 • [www.charitablesolutionsllc.com](http://www.charitablesolutionsllc.com)

9. Life insurance can be publicity-free, or it can provide “leveraged” honor. The size and even the existence of a life insurance gift can be completely confidential because of the contractual nature of life insurance. On the other hand, amplified recognition is possible if publicity is desired. For example, a “millionaire’s club” can be formed to announce each purchase of a policy with a “face value” (initial death benefit) of \$1 million or more.

10. A life insurance gift to charity can be relatively painless. From a cash flow perspective, the gift of personally owned life insurance to charity is not typically perceived as the loss of a needed asset, because no income-producing asset is being given away. From a wealth transfer perspective, a gift of life insurance to charity doesn’t adversely affect the family business, home or investment portfolio that the heirs expect to receive.

11. The transfer itself is simple and cost-efficient. Almost any size or type of policy can be used, although some are of course more preferable than others, and absolute assignment forms are cost-free.<sup>26</sup>

*No charitable tool or technique is without cost or risk. Certainly, life insurance in a charitable context is no exception to that general rule. A life insurance policy should be only one of many types of assets in a charity's investment portfolio, and in the planner's tool kit.*

12. From the charity's perspective, there is much less administrative responsibility for an insurance policy than for real estate or other similar assets. Usually, there are no complex or expensive valuation procedures, nor is there concern about environmental problems. If the value of the policy is \$5,000 or less, the insurer provides all the necessary information, typically at no charge. Compare the cost, the degree of time and effort, and the complexity of a gift of life insurance to the valuation of charitable gifts of closely held stock, real estate or interests in a family limited partnership or limited liability company.

13. Annual premium statements (be sure to request duplicate premium notices), coupled with annual "thank you" notes, give the charity a continuing contact with the donor and opportunity to enhance the relationship. It is very important that each annual premium be treated by the charity as an opportunity to renew and deepen the bond between the donor and the charity, and to recognize again the generosity of the donor. Whenever possible, those directly affected by the gift (e.g., scholarship recipients or department heads) should be introduced to the donor, perhaps giving the donor a "progress report" and a further chance to see what each annual premium is helping accomplish and sustain.

#### WHAT WORKS WELL

No charitable tool or technique is without cost or risk. Certainly, life insurance in a charitable context is no exception to that general rule. A life insurance policy should be only one of many types of assets in a charity's investment portfolio, and in the planner's tool kit. Therefore, like any other asset, its appropriateness must not only be considered initially, but also be reviewed annually. The charity must monitor premium payments, cash values and dividends as well as the financial health of the insurer. Gifts of life insurance should not be sought by a charity in place of the solicitation of outright gifts or an endowment program, but should complement these. We shouldn't be asking, "What is the cost of waiting for the insurance benefits versus having dollars given currently to an endowment and compounded over time?" but rather, "How can we maximize both types of

gifts?" Most of the problems with respect to life insurance occur not because of the product itself, but rather because it is misunderstood or improperly used.

Assuming that you have a plan in place for analyzing and managing life insurance gifts, consider mentioning such gifts in your brochures and talks in a low key manner as options, rather than offering a formal life insurance program. Here is a selection of relatively low risk, low maintenance, high return life insurance options to offer your donors:<sup>27</sup>

**The 2 Percent Solution:** Suggest that supporters name your charity [provide them with the specific legal wording of its name] as the beneficiary of two to 10 percent of existing or new insurance on their lives. A professional fundraiser said to us, "When I became a full time planner, I made a plain and simple gift. I named my charity as a 10 percent beneficiary of the insurance I already owned on my life."<sup>28</sup> My husband didn't mind at all, and I was already paying the premiums anyway."

**The "But If" Answer:** Suggest that supporters name your charity as the secondary or tertiary (i.e., the "back-up") beneficiary of their life insurance. This conditional "but if my spouse is not living, then to...charity" is particularly appealing and appropriate to those who have a spouse but no children or other relatives to whom they want to leave their assets. It is also almost always a very wise choice to name one (or more) charities as a final contingent beneficiary.

**The Group Insurance "Income Tax Turnoff":** Suggest to supporters who are still working that they name your organization as beneficiary of some, or preferably all, of their employer-sponsored group term life insurance. Point out that if your charity (or your charity and other charities) is named as the *sole* beneficiary during the entire tax year, the income tax that would otherwise be currently reportable on amounts in excess of \$50,000 would not be taxable to them. So without any current outlay, a supporter can assure a large post-death gift to your charity and perhaps save significant income taxes during lifetime. (Income taxes otherwise payable will be saved, but since the charity is not the absolute

owner and beneficiary of the group coverage, no deduction will be allowed.)

#### **Gift of Single Premium, Paid-Up or Almost Paid-Up**

**Contract:** Suggest that supporters consider a gift of policies they no longer need, and that will make little or no significant impact on their standard of living or lifestyle. An absolute assignment (an outright transfer of all economic rights) of an existing single premium or "paid-up" or almost paid-up policy to charity is an excellent gift requiring relatively minimal care and feeding. In most cases, the donor's deduction will equal his/her net cost for

the policy. Be aware, however, that retention by the donor of any meaningful economic right in the policy or a loan against the policy at the time of the gift—no matter how small—will bar a charitable deduction.

**Name charity as beneficiary of policy rider:** A "rider," as its name implies, is term insurance "riding on top" of the basic policy. For instance, a client purchasing a \$1 million permanent policy for her family might at the same time buy an additional \$200,000 term rider and name your charity as the beneficiary. Designating a charity as the beneficiary of an additional term insurance rider is simple

## Planned Giving Services



### *Ruffalo*CODY® Planned Giving Services

We specialize in talking with your donors to assess their interest, ability and readiness for making a planned gift to your organization.

RuffaloCODY's Planned Giving Services Division offers a full range of products and services to help you reach your most qualified donors and realize more planned gifts.

## Because not all qualified Planned Giving prospects raise their hand.

**Donor Identification and Qualification:** *Planned Giving ID* - our cornerstone program: Talking with your donors, we help you identify and prioritize Planned Giving prospects, allowing you to spend your valuable time visiting with your most qualified prospects.

**File Analysis:** RuffaloCODY will analyze your file to identify your best Planned Giving prospects, including our LifeStage Annual Fund analysis.

**Planned Giving Marketing Audit:** A comprehensive Planned Giving direct response plan that includes segmentation strategies.

**Rel@y (E-mail Delivery System):** Rel@y is perfect for supporting weekly Planned Giving e-mail programs.

**For more information** about how we can increase your Planned Giving program performance, call **Timothy Logan, ACFRE, Vice President of Planned Giving Services** at 800.756.7483 or visit our website listed below.

[www.ruffalocody.com/plannedgiving](http://www.ruffalocody.com/plannedgiving)

and cost-effective. This strategy keeps the insured donor's family's security intact and also provides a significant gift to charity. The donor continues to own and control the ownership of the policy and its cash values, as well as the right and flexibility to change or even eliminate the charitable beneficiary or add additional charitable beneficiaries. With this strategy, no current income tax charitable deduction is allowed because the insured has not made a complete current and absolute gift of his or her entire interest to charity. An estate tax charitable deduction will be permitted for 100 percent of the amount actually received by the charity. So if a charity receives \$100,000 out of a \$300,000 policy, or if charity receives a \$200,000 rider, the insured's estate is allowed a corresponding estate tax deduction, effectively eliminating the tax on that amount.

**The Economic Shock Absorber:** A charity can—and in many cases should—purchase insurance on the life of a major regular annual contributor, a particularly valuable board member or a key employee to provide an “Economic Shock Absorber” to the charity to compensate for the income or gifts that the charity will no longer receive at that person's death. This is particularly appealing if the donor would be willing to donate an extra amount each year to cover the cost of the premiums.

**Contribution of premium-paying policy:** A premium-paying policy is one for which premiums remain payable. Typically, a charity is made the absolute owner and beneficiary, and holds all ownership rights.<sup>29</sup> If the charity has an insurable interest under state law, the charity can be the original owner and beneficiary. Otherwise, the donor (or preferably donor's spouse) can purchase the policy and make an immediate absolute assignment once the policy is issued. (If the insured's spouse purchases the policy, the insured never acquires incidents of ownership and consequently, there is never a question of estate tax inclusion.)

The downside of this gift is that, in some cases, your charity has no absolute assurance the donor will continue to make contributions, and the policy may or may not be an appropriate investment for the charity to accept or continue

to hold. But it can work, and work well. The older the donor is, or the fewer premiums remaining to be paid, or the more cash value in the policy at the time of the gift, the more appropriate and beneficial acceptance of this gift is. And in some cases, the donated policy's cash values and/or dividends will be considerable, and enough to keep the policy in force, even if the donor for whatever reason no longer contributes the funds to pay premiums.

Some long-time and loyal donors (the authors included) have made contributions of premium paying policies, and have continued year after year to pay premiums. Experience will vary, and here—as in any other part of planned giving—one of the most important factors of long-term success is the willingness and ability of the charity's staff to get to know the donor/insured, and continually know that person even better after the gift. It should come as no surprise that donors who are continually informed and involved in the mission of the charity, and planned givers who continually involve their donors, will find that life insurance can play an important part in the long-run financial success of their organizations.

One planned giving director told us that his organization had a donor who took the minimum required distribution out of his IRA each year to pay the annual premiums on a large policy he donated, and was thereby enabled to substantially leverage the legacy he could leave.

**DAG (Director's Amplified Gift):** Suppose, in lieu of all or a portion of a company's director's fee, one or more members of a company's board of directors requests that the corporation make a contribution to a specified charity. That gift would be reportable as income by the director. It would also be considered a gift by the director to the charity, and would be deductible. Now, suppose that no money was ever owed to the director, but the corporation nevertheless made a gift to charity in the director's name. The corporation's gift to the charity would be income tax-free to the director and deductible by the corporation. Assume that we enhance this concept and call it a DAG, or Director's Amplified Gift. The corporation would allow each of its directors to select one or more charities. The corporation would purchase a limited pay life insurance policy on each director's life. The policy would

## Is there a firecracker, hand grenade or nuclear bomb in your CGA pool?

Using our patent-pending Life Income Risk Management Analytics Suite™ (LIRMAS)—a comprehensive CGA risk process and modeling tool—we'll help you find out.

- ✓ Risk audit of new/existing programs
- ✓ Asset/liability matching optimization strategies
- ✓ "Under-water" CGA/pool recommendations
- ✓ Concentrated risk recommendations
- ✓ Cash flow, longevity and financial sensitivity modeling
- ✓ Reinsurance optimization strategies
- ✓ Customized policy recommendations
- ✓ CGA-specific investment strategies

Bryan Clontz, CFP – President  
Mack Johnston, CFA – CEO/COO  
Don Behan, Ph.D., FSA – Consulting Actuary

*"The Charitable Solutions method uses hard data, sound quantitative concepts, and has no preconceived notions of how a gift annuity pool should be invested and risk managed. It is a client-centered approach."*

David W. Brown, Ph.D., CFP  
Director of Planned Giving  
Georgia State University

Charitable  
SOLUTIONS, LLC  
*Leveraging Risk Management Knowledge*

404.375.5496 • [www.charitablesolutionsllc.com](http://www.charitablesolutionsllc.com)

be owned by and payable to the corporation. The cash values would therefore be available to the business for an emergency or opportunity.

At the death of a director, the corporation would receive the death proceeds income tax-free (except for any alternative minimum tax imposed only on "large" corporations). After the corporation receives the policy proceeds, it pays the promised amount to the charity selected by the director. The corporation can take a charitable deduction for the payment, so that if the promise was to pay \$1 million, and the policy proceeds are \$1 million, the corporation can use its income tax savings to pay out much more than \$1 million, or it can pay out \$1 million and add any balance (after AMT) to surplus. Because a C corporation's current deduction is limited to 10 percent of its adjusted taxable income, the corporation may pay out the insurance proceeds over a period of years to take full advantage of the income tax deduction.

The corporation's payment of cash to the charity is income tax deductible. The directors are never subject to income or estate tax. Both the corporation and its directors receive immediate and favorable publicity. If the director leaves, the company can keep the policy, cash it in, or replace it with a term or paid-up whole life contract that will pay a reduced amount. Or, the company could sell it to the insured and donate the proceeds to one or more charities.

**Director's Amplified Gift—Type II:** Suppose the corporation wants an immediate income tax deduction. It could create a Type II DAG that works like this: the policy would be owned by and payable to the charity specified by the director. This would make cash values—as soon as they begin to develop—immediately available to the charity for an emergency or opportunity. The death benefit will be received income tax-free by the charity.

The donor corporation will receive an immediate income tax deduction for its annual cash contributions to the charity (subject to its annual limitation). The director will never be subject to income taxation, and no portion of the policy proceeds will be included in the director's estate. Both the

corporation and the director receive immediate and favorable publicity. The charity can keep the policy in force until the director's death, cash it in or replace it with term insurance or a paid-up whole life policy with a reduced death benefit.

Under a variation on this theme, the charity owns and receives the policy proceeds, but the premium check paid by the corporation is treated as income to the director. In this scenario, the director-donor reports income and then deducts payments made by the corporation to the charity.

### CONCLUSION

There are, of course, many other ways life insurance can be used to enhance the financial strength of your organization. We suggest you read the articles and books cited in the notes for more sophisticated tools and techniques.

Objectivity, enhanced knowledge, uncommon common sense, open-mindedness and a dash of personal integrity and courage will help you identify and distinguish between proposals that are pure alchemy and those that are true gold. Life insurance can help your organization fulfill your charitable purposes to a degree that might otherwise not be possible, but only if you use it wisely.

**Stephan R. Leimberg, JD**, is CEO of Leimberg Information Services, Inc., an e-mail and database service providing information and commentary on tax cases, rulings and legislation for financial services professionals. He is also CEO of Leimberg and LeClair, Inc., an estate and financial planning software company, and president of Leimberg Associates, Inc., a publishing company. Leimberg has addressed the Heckerling Tax Institute, Notre Dame Law School Tax Institute, ALI-ABA's Sophisticated Estate Planning Techniques Course, ALI-ABA's Planning for Large Estates Course, the NYU Tax Institute, the National Association of Estate Planners and Councils National Conference, the AICPA's National Estate Planning Forum and Duke University Law School's Estate Planning Conference.

He is author or co-author of many books on estate, financial and employee benefit and retirement planning and a nationally known speaker and creator and principal author of the entire nine book *Tools and Techniques* series, as well as software products and other professional aids. Leimberg's e-mail newsletter/data base, [www.leimbergservices.com](http://www.leimbergservices.com), is used by estate, financial, employee benefit and retirement planning practitioners.

**Randy L. Zipse** is vice president and senior counsel of John Hancock's Advanced Markets group. He is a co-author (with Stephan R. Leimberg) of *Tools and Techniques of Charitable Planning*. His expertise is exhibited throughout the country in professional speaking events, teleconferences and trade publications (*Journal of Financial Service Professionals*, *Broker World*, *Estate Planning*, *Life Insurance Selling*, *LAN*, and *the National Underwriter*). Mr. Zipse is on the board of advisers of Keeping Current.

Prior to joining Manulife Financial (the parent company of John Hancock), Mr. Zipse worked as an attorney in private practice, was associated with several large firms (Jones Day Reavis & Pogue, and Gardere & Wynne) and worked as a CPA with Deloitte Haskins & Sells.

---

<sup>1</sup> This scam was blocked by IRS Notice 99-36 and the Service made it clear that, despite the promoters' assurances, the plan never worked under existing law. Congress soon followed that pronouncement with Code Section 170(f)(1), which clarified existing law and imposed penalties and reporting requirements. The Courts agreed with Addis v. Commissioner, 118 T.C. No. 32 (2002); *Weiner v. Commissioner*, T.C. Memo 2002-153, which now reside with other charitable split-dollar and charitable reverse split-dollar ploys in the graveyard of futile reduction schemes. More on Charitable Split Dollar can be found in *Tools and Techniques of Charitable Planning* (800 543 0874). See also Doug Freeman, "Charitable Reverse Split-Dollar: Bonanza or Booby Trap," *The Journal of Gift Planning*, Vol. 2, No. 2 (2<sup>nd</sup> quarter 1998), p. ; Carolyn Green, "One Charitable Deduction Could Land You In A Tax Trap," *Fortune Magazine*, February 15, 1999.

<sup>2</sup> Stephan Leimberg, "Stranger-Owned Life Insurance (SOLI): Killing the Goose that Lays Golden Eggs," *Estate Planning*, vol. 32, no. 1 (January 2005), p. 43; and Stephan Leimberg, "Stranger-Owned Life Insurance (SOLI): Killing the Goose that Lays Golden Eggs," *Tax Analysts/The Insurance Tax Review*, vol. 28, no. 5 (May 2005).

<sup>3</sup> Republican Senator Chuck Grassley and Democratic Senator Max Baucus have stated of these investor initiated schemes that "These arrangements do more to facilitate investment by private investors in life insurance than to further the charity's tax exempt purposes," and that these are "snake-oil salesman taking advantage of tax-exempt organizations to line their own pockets with life insurance schemes." They have proposed S. 993 which would impose an excise tax on certain tax-exempt organizations or other nonexempt persons which acquire a direct or indirect interest in any life insurance, annuity or endowment contract for 100 percent of the acquisition costs of such interest, and require tax-exempt organizations and other nonexempt persons that acquire a taxable interest in such insurance contracts to file certain informational returns. An exception would be allowed from the tax for individuals with insurable interests, named beneficiaries and trust beneficiaries.

<sup>4</sup> For information on life insurance and life insurance taxation, see the following books by Stephan Leimberg et. al.: *Tax Planning With Life Insurance* (800 950 1216) and *The Tools and Techniques of Life Insurance Planning* (800 543 0874). See *Tools and Techniques of Charitable Planning* (800 543 0874) for an introduction to the tax laws that impact on charitable planning.

<sup>5</sup> For example, see Eric L. Abramson, "Evaluating Creative Planned

Giving Scenarios Involving Life Insurance," *The Journal of Gift Planning*, vol. 8, no. 3 (3<sup>rd</sup> quarter 2004), p. 7. Abramson states that a "guilty until proven innocent" strategy may seem prudent and appealing to the charitable gift planner who feels under siege by the promoters of premium financed life insurance programs. However, to do so risks missing the real potential for substantial new charitable giving that a well structured premium financed life insurance program can bring."

<sup>6</sup> Kathryn W. Miree, "Nonprofit Marketing Strategies to Reach Donor-Advisors," *The Journal of Gift Planning*, vol. 7, no. 4 (4<sup>th</sup> quarter 2003), p. 9.

<sup>7</sup> One person we interviewed told us, "That's another point I want to make. When you know a proposal is wrong, you have to say so, and not back down! Tough, but it IS the right thing to do, and the right thing to do IS your job!"

<sup>8</sup> This extremely valuable tool, from which many ideas in this article were drawn, was created by a task force of NCPG members chaired by Craig Wruck. The authors would also like to express great appreciation for the guidance and most helpful advice and suggestions of Gail Chesler of the Metropolitan Opera, Janet Edwards of Millersville University, Scott Lumpkin of the University of Denver, and Susann MontgomeryClark of St. Vincent's Foundation.

<sup>9</sup> At the least, it will be necessary due diligence to compute the present value of the expected death benefit(s), with appropriate discounting for the probability of lapse or failure of the program in order to estimate the present value of the program to the charity and to weigh the benefits of participating against alternatives. This also entails a determination of the point at which cash inflows (money from donors' deaths) will exceed cash outflows (premium payments and other expenses) sufficiently to use the excess for the objectives of the charity.

<sup>10</sup> Abramson, op. cit., points out that "Unless the death benefit is guaranteed under every possible scenario, regardless of what happens to interest rates, policy performance, mortality costs, the insurance company, etc., there is a significant risk that the premium financed life insurance program will fail to deliver the value to charity as projected."

<sup>11</sup> For instance, premium financed life insurance strategies involve significant borrowing in order to pay for future returns. Abramson, op. cit., notes that the bet has to do with the future behavior of interest rates, the mortality of the insured and the performance of the life insurance

product. "If interest rates move dramatically, or if the insured lives longer than expected, the result can be a loss in the value or ultimate benefit of the premium financed life insurance program." The bottom line is simple yet harsh: buying life insurance with borrowed money entails great risk. Why? Because, as Abramson states, "Such 'leverage' appears to offer astonishing returns, but it also dramatically increases the risk of loss should the future turn out to be different than expected. Individuals and charitable organizations alike must seriously weigh the risks and make their own decisions about the advisability of borrowing significant sums involved in most premium financed life insurance programs." "Losses are magnified by the same leverage that is supposed to work in the investor's favor." "There is a chance that nothing will be left and in the worst case, an unwitting charity might find itself responsible for a premium financed life insurance loan that will never result in a death benefit for the charity."

<sup>12</sup> A non-disclosure agreement requires you agree—legally—to not to disclose certain information, except under terms as described in the agreement. The authors suggest that if the promoters of a plan request that you sign a confidentiality agreement, you run, don't walk to the nearest exit, or better yet that you ask the promoter to quickly exit. Such agreements are almost always a sign that the promoter doesn't want you to share information with knowledgeable advisors.

<sup>13</sup> A charity may not provide financial benefits to anyone outside of the organization unless that benefit is provided as part of the charitable purpose of the organization or as reasonable payment for services actually rendered to it. In GCM 39862 (November 22, 1991) the IRS stated: "Any private benefit arising from a particular activity must be 'incidental' in both a qualitative and quantitative sense to the overall public benefit achieved by the activity if the organization is to remain exempt. To be qualitatively incidental, a private benefit must occur as a necessary concomitant of the activity that benefits the public at large; in other words, the benefit to the public cannot be achieved without necessarily benefiting private individuals. Such benefits might be characterized as indirect or unintentional. To be quantitatively incidental, a benefit must be insubstantial when viewed in relation to the public benefit conferred by the activity."

<sup>14</sup> Leimberg, Gibbons, and Nelson. "TOLI, COLI, BOLI, and Insurable Interests," *Estate Planning Journal*, vol. 28, no. 1 (July 2001).

<sup>15</sup> A charity cannot be bound to accept or maintain life insurance, or be required by the donor to pay premiums on it, even as a condition of a gift. In fact a gift to charity of life insurance (or any other asset with narrow exceptions) must be unrestricted.

<sup>16</sup> Leimberg and Gibbons, "Premium Financing: The Last Choice—Not the First Choice," *Estate Planning Journal*, vol. 28, no. 1 (January 2001).

<sup>17</sup> Abramson, op. cit., includes a comprehensive checklist for evaluating premium financed life insurance.

<sup>18</sup> Of course, if the charity is owner and beneficiary of a policy that develops cash values, there are lifetime benefits the charity may enjoy. It can borrow, use the policy as collateral and, if necessary or appropriate, make partial or complete surrenders of the policy.

<sup>19</sup> The authors have seen many charitable premium financed arrangements in which the illustrated amount going to charity is less than five percent of the policy face amount, with the balance going to repay the lender. Depending on the structure of the arrangement, the actual amount going to the charity may be even less if interest rates increase, the insured (or the pool of insureds) lives longer than projected or the life insurance product does not perform as illustrated. Does it make sense for a charity to participate in an arrangement that is projected to net the charity such a small percentage of the insurance purchased on the donor's life? Among the many issues that these charitable premium financing programs raise is the issue of insurable interest. Does a state insurable

interest statute that gives a charity an insurable interest "in the life of a donor" really create an insurable interest in a policy when more than 90 percent of the death benefit is NOT projected to go to the charity?

<sup>20</sup> Charities urging participation by their patrons may harm the donor's personal interests, since the death benefit assigned to the donor's life may prevent the donor from getting all of the death benefit coverage he might later need for his own personal purposes. In other words, an insurer may decline to issue future personal or business coverage if it knows about large amounts of already existing policies. There is a limit to the amount of insurance an insurance company will issue on any given life.

<sup>21</sup> Abramson, op. cit.

<sup>22</sup> For an excellent discussion of the various complex and interrelated specifics on life insurance that must be considered by an expert, see JJ MacNab, "Life Insurance: The Good, the Bad, and the Ugly," *The Journal of Gift Planning*, vol. 5, no. 1 (1st quarter 2001), p. 17.

<sup>23</sup> There is a state by state summary of insurable interest laws at [www.leimbergservices.com](http://www.leimbergservices.com), but it is essential that local counsel checks to assure that the right state's law is considered, and that you are studying the very latest version of that state's law.

<sup>24</sup> MacNab, op. cit., p. 44.

<sup>25</sup> Abramson, op. cit., cautions that, "In any proposal, ask questions about the underlying assumptions. Not all current life products provide an absolute guarantee of a given death benefit and, of course, the death benefit can be significantly reduced if premium financing is involved. So ask, "What type of insurance products are involved?" "What would be guaranteed under the worst case assumptions?"

<sup>26</sup> MacNab, op. cit., warns about the importance of proper gift acceptance and monitoring procedures. This article provides a blueprint for proper handling of charity owned life insurance. See also Leimberg et. al., *The Tools and Techniques of Charitable Planning*, Chapter 13 (800 543 0874) for detailed information on life insurance and charitable planning, and *Tax Planning With Life Insurance (800 950 1216)* for more sophisticated tax and planning techniques.

<sup>27</sup> The tax and planning implications of these can be found in the following sources: Leimberg and Gibbons, "Life Insurance as a Charitable Planning Tool: Part I," *Estate Planning*, vol. 29, no. 3 (March 2002), p. 132, and "Life Insurance as a Charitable Planning Tool: Part II," *Estate Planning*, vol. 29 no. 4 (April 2002), p. 196; MacNab, op. cit.; Millard, "Using Life Insurance to Fund a Donor's Charitable Gifts," 22 ETPL 297 (Sept./Oct. 1995); Slavutin, "Life Insurance and Charitable Giving—Important Tax Rules," ALI-ABA Course of Study: *Uses of Insurance in Estate and Tax Planning*; Kirschten and Neeley, *Charitable Contributions; Income Tax Aspects*, 281-3rd T.M. (BNA), p. A-10, n. 102; *The Tax Economics of Charitable Giving* (13th Edition, 800-775-5730); Breitstein, Joel, "Innovative Strategies for Using Life Insurance in Charitable Giving," *Estate Planning*, vol. 31, no. 2 (February 2004).

<sup>28</sup> Steven R. Bone and Emanuel J. Kallina II, "Charitable Bequests at the Dawn of the 21st Century," *The Journal of Gift Planning*, vol. 5, no. 4 (4th quarter 2001), p. 5: "The owner of a policy can accomplish this simply by describing the bequest on a form provided by the issuer of the policy. It usually costs nothing but a little time to make such a bequest and objections are few because the bequest can be made in private and changed at any time before the insured dies. This is one of the easiest and lowest cost ways to make a charitable bequest because it does not require the use of an attorney and the distribution will sidestep probate."

<sup>29</sup> Jonathan Blattmachr, "Assigning Insurance Policies to Charities," LXII, No.1 *The CPA Journal* 66 (January, 1992).