

Gifts of Life Insurance

You can make a deferred gift to Melbourne Central Catholic using life insurance. Such a gift may allow you to make a larger contribution than you thought possible. Benefits may include a current income tax deduction for the gift of the policy, continuing income tax deductions for periodic premium payments, removal of the insurance from your taxable estate, and the satisfaction that comes from making a gift to benefit the School.

Frequently Asked Questions

Why donate life insurance? An existing policy is the best candidate for a gift to the School. You may own a life insurance policy that was purchased for financial security when you were younger. The safety net provided by life insurance may not be as important to you now so the policy may be a suitable asset to contribute to the School.

What kinds of policies can be contributed? There are two basic forms of life insurance, with many variations.

- Term insurance provides coverage only for the specific period covered by the premium but does not provide any internal cash buildup or any benefits other than payment of the face amount of the policy upon the death of the insured. Because of these characteristics, term insurance rarely is used for charitable giving.
- Whole life insurance provides continuous coverage as long as any required premium payments are made or the policy has adequate cash value. It also has an investment component that provides an internal build-up of cash value, in addition to the death benefit.

Are there income tax benefits? If you designate MCC as the owner of the policy, you may be entitled to a current income tax deduction for the gift of the policy. Any annual gifts to the School to pay future premiums will qualify for a charitable income tax deduction.

Are there estate tax benefits? If you give a policy to MCC, the insurance proceeds are excluded from your taxable estate unless you die within three years of making the gift. If you keep the policy and simply name the school as beneficiary, the policy proceeds will be included in your taxable estate but will qualify for an estate tax charitable deduction.

Can proceeds from a policy fund an endowment? Proceeds from a life insurance policy can fund an endowment to benefit any program at the School. However, you may want to compare a life insurance donation to a series of annual gifts to fund an endowment, because doing this now rather than at your death allows you to see your gift at work during your lifetime.

Are there any special considerations to keep in mind? If you live in a community property state, your spouse may be required to consent to naming someone other than the spouse as beneficiary and/or owner of a policy.

Five Steps to an Insurance Gift

1. Talk with our Development staff and your legal and financial advisors about how you would like to support MCC School with a life insurance gift.
2. Obtain information about your policy from your insurance agent—including a copy of the policy, the current cash value, options available and restrictions imposed under the policy terms, any limits on assigning the policy, and a schedule of premium payments due.
3. If you select an insurance policy as the optimal gift, determine whether the school will be named as owner of the policy as well as beneficiary and request the necessary forms from your insurance agent to complete your gift.
4. Make arrangements regarding the payment of any future premiums.
5. Provide the School with written instructions regarding the ultimate use of the proceeds from your life insurance policy.

A life insurance gift may allow you to support MCC more generously than you thought possible while providing you with income and estate tax benefits.

We can put you in touch with licensed insurance agent who can assist you with this process.

This information is designed to provide information and illustration of the subject matters covered. It is not intended, nor should it be used as legal, accounting or other professional advice. It is always a good idea to seek legal and tax advice from your professional advisor(s).