John Hancock
LIFE INSURANCE

Gifts of Life Insurance

GIFTS OF LIFE INSURANCE IN CHARITABLE PLANNING

Life insurance can work in concert with a client's wealth transfer objectives. Take a look at the different applications of Life Insurance in Charitable Planning.

- **Donating an existing life insurance policy to charity.** A gift of a life insurance policy on your client's life can benefit a charity significantly, though the benefit is delayed until death, and scheduled premiums, if any, must be paid by the charity in order to sustain the policy. The value of the policy is tax deductible and is based on the lesser of the policy's fair market value, provided by the insurance company, and premiums paid.
- **Naming charity as policy beneficiary.** A charity can be named as beneficiary of a new or existing life insurance policy, but no charitable income tax deduction is allowed since your client retains full ownership rights, primarily the right to change the beneficiary designation.
- **Charity-owned life insurance.**[1] Your client can make tax-deductible cash gifts equivalent to the premium amount on a life insurance policy owned by a charity.[2]

TAX BENEFITS

- **Charitable Income Tax Deduction.** The availability of a charitable income tax deduction is based on how the life insurance is owned and funded. *See chart below.*
- **Charitable Gift Tax Deduction.** Gifts made to charity, including gifts of life insurance, are not subject to gift taxes. And gifts made to charity during lifetime reduce the taxable estate.
- **Charitable Estate Tax Deduction.** If the life insurance policy is owned by your client and the charity is named as beneficiary, the life insurance proceeds will be includible in your client's taxable estate at death, but a charitable estate tax deduction is available for the full value of the proceeds transferring to charity.

TYPE OF LIFE INSURANCE GIFT	CHARITABLE INCOME TAX DEDUCTION AVAILABLE
Donate existing policy	Yes
Name charity as beneficiary of policy	No
Charity-owned life insurance	Cash contributions made to charity are deductible. The charity may use contributions toward premium payments.

Please see the Comprehensive Charitable Planning Client Guide for deduction calculations and limitations.

For additional information, please contact your local John Hancock Representative or call the Advanced Markets Group at 888-266-7498, option 3.

1. The Tax Increase and Prevention Reconciliation Act of 2005 (TIPRA) created new code section IRC 4965, which imposes an excise tax on tax-exempt organizations that engage in prohibited tax shelter transactions for tax years ending after May 17, 2006. “Prohibited tax shelter transactions” include any reportable transaction, any listed transaction or any transaction that is “substantially similar” to one of those. The exicse tax is imposed whether or not the transaction is determined to be abusive.
2. The Pension Protection Act of 2006 (PPA), which became effective on August 17, 2006, includes a provision that requires tax-exempt organizations to report investor-owned life insurance transactions to the Treasury Department for review. The Treasury Department will study the transactions over a 30-month period to determine whether tax-exempt organizations are abusing these arrangements.

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