

A Steward's Consideration of Life Insurance



“Life insurance offers a man a way to make his will before he makes his money.”

—Unknown

Life insurance provides a way to prepare for the unexpected. Properly used, it can bring blessing to a family and Kingdom work.

What is It?

Life insurance is a contract. You enter into an agreement to deposit premium payments—a designated amount at designated times. In exchange, the insurer agrees to pay a specific benefit to the beneficiaries you have named upon the death of the insured.

Life insurance comes with many names and many options—term, whole life, universal, variable, adjustable—to name a few. However, it can generally be broken down into 2 forms:

- A **protective form**, which lasts for a **contracted term** and does only one thing—cover a specific financial need for a specific time period. It has no cash value except the death benefit.
- An **investment form**, which can last for the **entire life** of the insured. It provides a payment at death and may build cash value in addition to the death benefit. With certain policies, this cash value can be paid out during life or used to pay future premiums.

Life insurance can also provide financial leverage. For example:

- Business owners can provide liquidity to continue business operations or to fund a buy-sell agreement
- Parents can provide a cash inheritance for some children when transferring assets to other children (farms, businesses, rental properties, etc.)
- Generous individuals can leverage premiums during their lifetime into a sizeable charitable gift at death

If any of the above scenarios fit your situation, then a serious consideration of life insurance may be wise.

Do I need life insurance?

This is a stewardship decision that only you and your spouse can make. Some would argue it is one of the best investments possible when the product fits the circumstances.

Using Life Insurance to Enhance Generosity

Charitable life insurance policies generally fall into two categories:

1. A policy purchased for the express purpose of making a charitable gift, **or**
2. A policy purchased for another reason that is no longer required and can be used to make a charitable gift.

If you are considering purchasing life insurance specifically for making a charitable gift, you may wish to consider:

- Your obligation to pay premiums could last many years.
- The longer premiums are paid, the less efficient the death benefit will be as a gift.
- The charitable beneficiary should be reviewed periodically to assure it still meets your charitable goals.
- If paid directly to an insurance provider, no charitable tax deduction will be available for the premiums paid.

If you purchased a policy for an obligation you no longer have, consider that:

- The policy may have cash value that could be used to make an immediate charitable gift.
- The gift of the policy or cash value may create a charitable income tax deduction.
- The gift of future premiums to the charity to maintain the policy may create additional charitable income tax deductions.
- If you maintain policy ownership, the charitable beneficiary may be changed if needed to meet your charitable desires.

Summary

Life insurance can be an excellent tool for the Biblical steward's estate and generosity planning. If you need to provide cash to dependents, it creates excellent leverage and protection. In addition, under certain conditions, life insurance may be useful as a charitable giving tool.

As always, life insurance should be considered in light of your overall estate design and in consultation with your team of planning professionals.

May we help answer any questions as you review your estate and generosity plans? There is no cost or obligation to you.