



Suggested Charitable Beneficiary Designations

Cash value life insurance has three main functions. They are: tax free death benefit, tax free cash accumulation, and access to tax free cash flow using withdrawals to basis and/or policy loans. Consider an individual who is unmarried with no dependents who purchases life insurance for its cash accumulation and spendable retirement cash flow features who doesn't need or want the death benefit of the policy. In this case, consider the following revocable charitable beneficiary designation that can be revoked only by the policy owner:

Primary Beneficiary: [suggestion: [African Wildlife Foundation](#)]

This is a revocable beneficiary designation.

Consider another who is unmarried with no dependents who purchases life insurance for its cash accumulation and spendable retirement cash flow features but doesn't need or want the net death benefit of the policy (i.e., death benefit minus cash surrender value). In this case, consider the following revocable beneficiary designation that can be revoked only by the policy owner:

Primary Beneficiary: A portion of the policy death benefit equal to the policy cash surrender value as of the date of death payable to [suggestion: [family member\(s\)](#)]; the balance of the policy death benefit, if any, to [suggestion: [African Wildlife Foundation](#)].

This is a revocable beneficiary designation.

The charity is a passive participant in the transaction, and any action taken on the policy by the policy owner (including, but not limited to, withdrawals, loans, surrender) does not require the charity's consent.

No income tax deduction is available for any premium paid that is associated with a charitable beneficiary (as indicated above) for several reasons, the most common of which are:

- The charity's portion is an unequal partial interest in the policy;
- The charitable beneficiary designation can be changed whenever the policy owner desires.

With this strategy, never use an irrevocable beneficiary designation for the charity. At some point in the future, the policy owner may, for example, want to change all or part of the beneficiary as follows and does not want to count on the charity's permission to do so:

Primary Beneficiary: The entire death payment is payable to my spouse, [**Name**].

Contingent Beneficiary: Children: [**Names**].

Alternative Contingent Beneficiary: [**Name of trust formed on behalf of children**].

Different life insurance companies will have different language for acceptable beneficiary designations. They will typically be helpful in providing language acceptable to both insurance company and policy owner.

Important Note #1: There is a potential tax bomb in cash value life insurance that can accidentally be triggered by a careless policyowner when policy loans are present. Click here to read Bob Ritter's [Blog #51: Avoiding the Tax Bomb in Life Insurance](#).

Important Note #2: Information in this report is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

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