Legacy

is not what's left tomorrow
when you're gone. It's what you give,
create, impact and contribute today,
while you're here, that then
happens to live on.

— Rasheed Ogunlaru

BKA Wealth Transfer

Preserving Assets for Heirs

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BKA Financial is a national leader in the insurance industry with a long-standing reputation for being financially stable, trustworthy and responsive to the needs of our stakeholders. At BKA Financial we provide customized solutions to our clients in the areas of estate planning, wealth preservation, business succession planning, and charitable planning. We work closely with Financial Advisors and their Clients; CPA's, and Attorneys.

We are committed to building mutually beneficial relationships with our employees, representatives, Financial Advisors and their clients, and our insurance carrier partners. We also strive to be responsible citizens of the regions where we conduct business.

We continually work to build and maintain the most experienced and knowledgeable team of sales support employees and associates in the insurance industry in order to understand and respond to the specialized estate planning and insurance needs of National Financial Institutions and their Financial Advisors and Clients.

> *“Peace of mind for our clients through careful planning, trusted partnerships with Advisors, and innovation that expands the mind and achieves the true Legacy that our Clients are looking for.”*
>
> *— Brian K. Adams, Founder and CEO, BKA Financial, LLC*

This presentation presents an overview of estate planning. It is not intended to provide full disclosure. It is not intended to give tax or legal advice. Any comments about tax treatment of certain estate planning techniques simply reflect an understanding of current interpretations of tax laws as they relate to estate planning and life insurance. Tax laws are always subject to interpretation and possible changes in the future. It is recommended that you seek the counsel of an attorney, accountant, or other qualified tax advisor regarding estate, trust and life insurance taxation as it applies to your particular situation. These pages depict certain estate planning options.

For many, the phrase "Estate Planning" sounds as though it is something only the ultra-wealthy need to do. In truth, every family, no matter their net-worth, could benefit from an estate plan.

Estate Planning

According to an October 2011 article on Forbes.com, it is estimated that 120,000,000 Americans do not have up-to-date estate plans to protect themselves and their families in the event of sickness, accidents, or untimely death. A 2011 EZLaw Wills and Estate Planning survey affirmed these numbers. EZLaw, found the majority of Americans (60 percent) believe that all adults should have a will or estate planning documents in place, yet only 44 percent report that they currently have any such documents. Princeton Research Associates, Estate Documents Survey, March 2015 reaffirmed these numbers.

Individuals put off estate planning because they think they don't own enough, they're not old enough, they're too busy, think they have plenty of time, they're confused and don't know who can help them, or they just don't want to think about it. Then, when something happens to them, their families have to pick up the pieces.

Believe it or not, you have an estate. In fact, nearly everyone does. Your estate is comprised of everything you own; your car, home, other real estate, checking and savings accounts, investments, life insurance and personal possessions. No matter how large or how modest, everyone has an estate and something in common – you can't take it with you when you die.

When you do die, you probably want to control how those things are given to the people or organizations you care most about. To ensure your wishes are carried out, you need to provide instructions stating whom you want to leave your property to, what you want them to receive, and when they are to receive it. You will of course, want this to happen with the least amount paid in taxes, legal fees, and court costs.

If you pass away without an intentional estate plan, your assets will be distributed according to the probate laws in your state. In many states, if you are married and have children, your spouse and children will each receive a share. That means your spouse could receive only a fraction of your estate, which may not be enough to live on. If you have minor children, the court will appoint a guardian without knowing who you would have chosen.

For unmarried opposite and same-sex couples, it is particularly important to have a complete and up-to-date estate plan as laws that favor married couples don't apply. Without proper protection, your surviving partner could be ordered out of the house you share, your next of kin could dispose of your estate in a way of which you would not approve, or taxes could take a large amount out of the bequest you leave to your partner. Your partner could be left out of financial and medical decision making if you become seriously ill or incapacitated.

None of us really like to think about our own mortality or the possibility of being unable to make decisions for ourselves. This is exactly why so many families are caught off-guard and unprepared when incapacity or death does strike. Knowing you have a properly prepared plan in place – one that contains your instructions and will protect your family – will give you and your family peace of mind. This is one of the most thoughtful and considerate things you can do for yourself and for those you love.

Estate Planning

WHAT IT ENTAILS

While the idea of Estate Planning can sound daunting, when broken down into smaller components it is a much more manageable undertaking and one that can save you and/or your family from undue stress and confusion in the future. Let's take a look at the key areas of estate planning.

> **Legal affairs:** first things first, create and sign a will. Writing a will can save your surviving family members undue stress when it comes to administering and distributing your estate. You will also want to designate someone as your Power of Attorney to handle your legal and financial affairs.

> **Financial affairs:** gather and organize contact information on your advisors, such as your CPA or Financial Advisor. Make a list of all accounts and where those accounts are held.

> **Asset protection for you and your heirs:** file beneficiary designations and confirm title to your accounts. In the event of disability or illness, a personalized revocable living trust can help manage your assets.

> **Providing for surviving spouse and loved ones:** life insurance! Make sure you have enough coverage for your surviving spouse and/or loved ones.

> **Providing for those with special needs:** the statistics on special needs individuals is staggering. If your family is one of the 16.8 million caregivers to a child with special needs under the age of 18 or is part of the 20% of 16-64 year-olds that suffer from some form of physical, mental or emotional impairment then extra care is required to provide for these individuals.

> **Long term health care & health care costs:** designate someone you trust to make health care decisions for you with a health care proxy and communicate your health care wishes with a living will. Long term care insurance can also be purchased either as a standalone policy or as an addendum to your life insurance to help cover health care costs down the road.

> **Estate taxes:** your financial advisor can help you determine if this will be an issue for you and your family. One way to cover the cost of estate taxes is by purchasing a life insurance policy inside of an irrevocable trust. This ensures that your family will have the funds necessary at your death to cover any tax liabilities.

> **Business succession:** if you are a business owner you will need to plan for your company's future either in the event of your retirement, disability, or death. Regardless of whether you plan to leave the business to a family member, employee, partner, or sell it, you will need to consult with an advisor to ensure that the proper plan is in place to protect all you have built.

"Without a proper will in place, state law will oversee the distribution of your estate, which can create unexpected and unintended results."

DOCUMENTS

Will: A will is the primary instrument for planning how your estate will be distributed, how your assets will be managed after death, appointing executors and guardians, and establishing trusts. Without a proper will in place, state law will oversee the distribution of your estate, which can create unexpected and unintended results. It is important to review your will periodically to account for changes in your personal circumstances and any changes in tax laws.

Living and Revocable Trust: A living or revocable trust may be established to accommodate for the management of your assets if you become incapacitated or critically ill. They are also useful tools to help avoid the time and cost of probate upon death. A revocable trust only provides for the management and distribution of assets held in the trust at the time of the grantor's death, however, a separate will is still generally needed to provide instructions for distribution of assets not actually held in the trust at the time of death.

Power of Attorney: A power of attorney may be used to appoint a person to act as your agent to carry on your financial affairs. A power of attorney may eliminate the need for the court to appoint a conservator or guardian to act on your behalf if you are not able to manage your own affairs.

Living Will and Healthcare Proxy: A living will (also known as an advance medical directive) is a statement of your wishes for the kind of life-sustaining medical intervention you want, or don't want, in the event that you become terminally ill and unable to communicate. A living will can be open to interpretation and different institutions and doctors may come to different conclusions. You can increase your chances of enforcing your directive when you have a health care agent advocating on your behalf. Your health care agent should be able to understand important medical information regarding your treatment, handle the stress of making difficult decisions, and keep your best interests and wishes in mind when making those decisions.

WHAT TO ASK YOURSELF

- Does my will need to be updated?
- Should I consider a living trust?
- If you have a business, do you have a strategy in place for the smooth transition and continuous operation of your business?
- Has my estate plan been updated to reflect recent tax law changes?
- Who will take care of my children?
- Should I have a medical power of attorney or living will?
- What will my spouse and children inherit if I die today?
- Does my estate plan provide for an income stream for my spouse and/or children?

The more your family and heirs know about your estate plan in advance, the better. They can be confident that you have thought through key issues, and you have a chance to smooth rough edges and prevent potential hurt feelings. You can also make sure that individuals with important responsibilities understand your intent and their roles.

As the ever changing tax laws are determined in Washington D.C., the estate planning landscape must adapt to these changes. In 2018 we will see many changes that need to be taken into account for every estate planning situation.

Estate Tax Limits

RATES AND DEFINITIONS

2018 will usher in sweeping changes made to the tax code. Under the Tax Cuts and Jobs Act, the Estate Tax lifetime exemption will effectively double to $10,000,000 (inflation adjusted to $11,200,000 for 2018) with the 40% estate tax rate remaining unchanged. The Estate Tax and Gifting Exemption will remain unified, allowing high net-worth individuals to gift a maximum lifetime amount of $11,200,000 ($22,400,000 for married couples, with exemption probability still permanent). Although the federal estate tax appears now to apply to a very small percentage of taxpayers, legacy planning remains critical for most families as there is nothing permanent about the tax changes. Absent new legislation, the lifetime exemption amounts will revert to the previous $5,000,000 level (indexed for inflation) in 2026.

Annual Exclusion for Gifting	$15,000
Generation-Skipping Tax (GST) Exemption	$11,200,000
Applicable Estate Tax Exemption Amount	$11,200,000
Applicable Gift Tax Exemption Amount	$11,200,000
Maximum Gift, Estate, and GST Rate	40%

Generation-Skipping Tax (GST) Exemption:

A separate tax is imposed on assets transferred to “skip” persons (persons who are at least two generations below the person transferring wealth). The rate for the GST tax in 2018 is 40%, imposed on the value of the transferred asset. There is however, a GST tax exemption that allows for the transfer of assets to skip persons without incurring and GST tax. Under the unified estate and gift tax system, this amount is equal to the lifetime estate exemption of $11,200,000.

Applicable Estate Tax Exemption Amount:

This exclusion entitles you to transfer assets at death, free of estate tax. This exclusion is closely tied to the federal gift tax exclusion, which is designed to prevent you from avoiding estate taxes by giving away assets during your lifetime. Any portion of the federal gift tax exclusion you use during your lifetime will reduce the federal estate tax exclusion available at your death.

In addition to the federal estate taxes levied by the federal government, the “state estate taxes” are another issue to be aware of for any client or estate planner. With the enactment of the Tax Cuts and Jobs Act many states will still have a need for additional revenue to offset the new federal estate tax credit. To do this, and as of 2018, Connecticut, Washington D.C., Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont and Washington all impose a separate estate tax. Other states have imposed an inheritance tax in conjunction or separately for additional revenue. These states include Iowa, Kentucky, Maryland, Nebraska, New Jersey and Pennsylvania.

What is a Trust?

A TRUST IS A LEGAL ENTITY THAT HOLDS ASSETS FOR THE BENEFIT OF ANOTHER. BASICALLY, IT'S LIKE A CONTAINER THAT HOLDS MONEY OR PROPERTY FOR SOMEONE ELSE.

There are three parties in a trust arrangement:

> **Grantor:** (also called a settler or trustor) the person(s) who creates and funds the trust.

> **Beneficiary:** The person(s) who receives benefits from the trust, such as income, and has what is called equitable title to trust property.

> **Trustee:** The person(s) who hold legal title to trust property, administers the trust, and has a duty to act in the best interest of the beneficiary.

You create a trust by executing a legal document called a trust agreement. The trust agreement names the beneficiary and trustee, and contains instructions about what benefits the beneficiary will receive, what the trustee's duties are, and when the trust will end, among other things.

Building a legacy and controlling assets in the most economical and efficient matter is what a trust is all about. There are many different trust structures which accomplish many different goals. Whether that need is to protect an income producing asset or to leverage the financial legacy to your heirs, the use of a trust can help…

- Pass wealth efficiently and privately to your heirs.
- Preserve assets for heirs and favorite charities.
- Reduce estate taxes.
- Control the distribution of your assets.
- Regulate the distribution of retirement assets as planned.
- Keep assets in your family for years to come.

Whether you're seeking to manage your own assets, control how your assets are distributed after your death, or looking for a way to safeguard personal and professional assets from liability, trusts can help you accomplish your wealth planning goals. Their power is in their versatility – many types of trusts exist, each designed for a specific purpose.

CHOOSING A TRUSTEE

The most important quality when choosing a Trustee is, as the name suggests, trust. While the Trustee is not supposed to use assets for his or her own benefit, there are no trust police checking on what the Trustee does. Therefore, it's critically important that you trust your Trustee to do the right thing. Once you've chosen someone you can trust, the next most important factor is that they have common sense, good organizational skills, and a willingness to seek professional guidance. The job of Trustee entails quite a bit of paperwork and compliance requirements in order for the Trustee to maintain his or her responsibilities (legally known as fiduciary obligations). The Trustee should seek guidance from a team that includes a tax advisor, a legal advisor and a financial advisor. A Trustee that intends to handle taxes and investments without guidance and does not seek the counsel of a lawyer is destined to fail.

Let's begin to understand the different types of trusts and the reasons why they might be used.

REDUCE ESTATE TAXES
ILIT • Credit Shelter Trust • QPRT

PROVIDE INCOME TO SPOUSE/HEIRS
QTIP • SLAT • Dynasty Trust

CHARITABLE BEQUEST
Charitable Remainder Trust • Charitable Lead Trust

TRUSTS

IRREVOCABLE LIFE INSURANCE TRUST (ILIT)

The most common use of an Irrevocable Life Insurance Trust is to provide estate liquidity in the event of federal and state estate taxes. Additionally, ILIT's are used for wealth replacement when assets are gifted to charitable organizations.

A key point to an ILIT is that it will maximize the effectiveness in which a life insurance policy can be used outside of a person's taxable estate. This can be done my naming the trust as the owner and beneficiary of the life insurance policy in question. And then, upon death, the trustee is able to distribute the life insurance policy proceeds to the beneficiaries of the trust (income and estate tax free).

There are many options available when it comes to funding an ILIT, but it is usually done to maximize annual gifts or the use of an individual's lifetime exemption.

Common Rules for Irrevocable Trusts

- A trust owning a life insurance policy must be irrevocable, the grantor/insured must forego the right to make changes to the policy once the trust has ownership.
- A third party must serve as trustee.
- 3 year "look back" if transferring a current policy to a trust. If the grantor/insured dies during this period, the policy proceeds will be included in the estate.

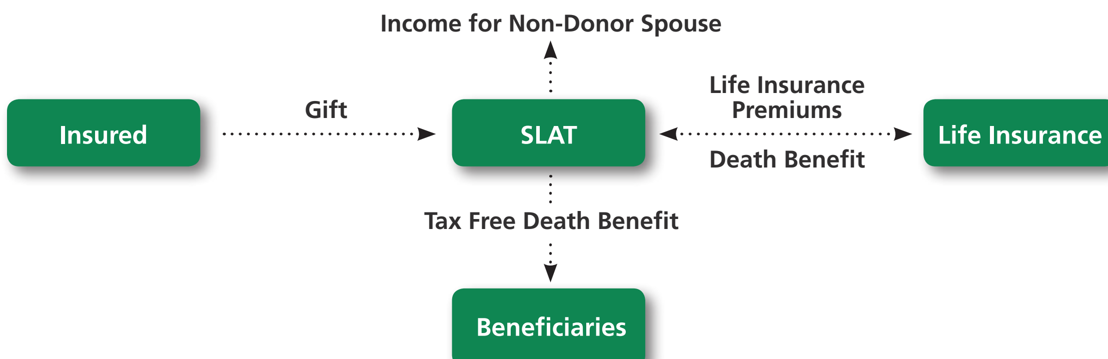
SPOUSAL LIFETIME ACCESS TRUST (SLAT)

The overall concept of a SLAT is providing an increased inheritance to heirs through insurance while preserving assets for your spouse. This can be accomplished through SLAT provisions and a cash building insurance policy.

Additionally, the SLAT provides the couple with a wealth transfer technique that reduces transfer taxes and maintains access to income. The life insurance policy held in the SLAT should provide tax deferred growth with tax free rebalancing, thus eliminating additional taxation upon policy gains.

Issues to Consider

- Limits gifts to separately owned property.
- Gifts of community property may cause inclusion in your spouse's estate.
- A qualified estate planning attorney is essential.
- The type of life insurance used can be a single life policy on the donor spouse.



DYNASTY TRUST

An Irrevocable Trust designed so that it may stay in effect for multiple generations.

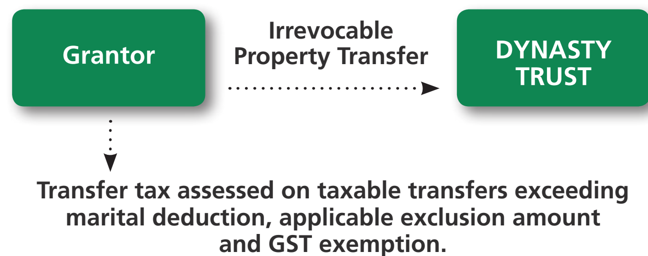
Benefits

Assets placed in a dynasty trust can be passed on for multiple generations without being subject to estate, gift, or any GST tax. This is used as a popular tool in the Estate Planning market. Assets inside this trust may continue to appreciate before the wealth is passed on to the next generation. One of the most common features of a dynasty trust is for the grantor to fund the trust with the maximum allowable applicable exclusion amount and GST exemption. The appreciation of these assets will grow outside of your taxable estate.

Funding

> The trust can be funded during an individual's lifetime so that the assets within the trust can appreciate to leave a higher value to heirs.

> It may also be funded upon death to reduce the vulnerability of federal and state estate tax.



GRANTOR RETAINED ANNUITY TRUST (GRAT)

A GRAT is a type of irrevocable trust which you retain interest for a certain period of years (term). After annual annuity payments back to the grantor each year, the ending remainder will pass to the trust beneficiaries at the end of the term of the GRAT. In order to fund the GRAT, many different assets may be transferred into the trust. This can include income producing assets, any securities or bond portfolios, and cash to name a few. High-growth assets may be significantly attractive to transfer into a GRAT as it may provide a large tax savings.

GRAT Basics

> Term and payout rates of the GRAT can be selected to leave some gift tax or no gift tax at all.

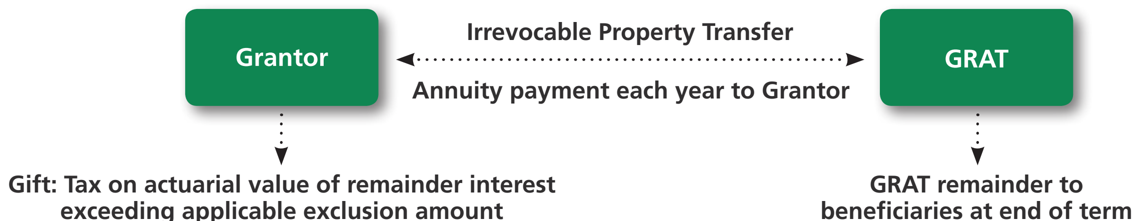
> Property contributed to a GRAT is a gift to the remainder beneficiaries.

> If death occurs during the term of the GRAT, the trust property will become includable in the grantors estate at Fair Market Value (FMV).

> If the grantor survives through the term of the GRAT, all appreciated property inside the GRAT will pass onto the trust beneficiaries without any additional transfer taxes.

> The valuation of a GRAT is calculated through tables provided by the IRS. They will vary depending on the length of the annual payment and the current interest rates established by the IRS.

> Zeroed-out GRAT's are highly popular as the grantor will not incur any gift tax liability and will not use any of his or her lifetime federal gift tax exemption.



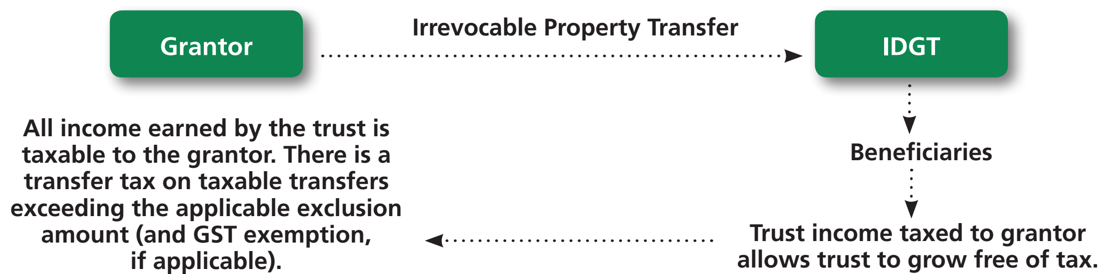
TRUSTS

INTENTIONALLY DEFECTIVE GRANTOR TRUST (IDGT)

An IDGT is a trust that is "defective" solely for income tax purposes. For estate and generation skipping transfer tax purposes, transfers of assets to an IDGT will be considered completed gifts outside of the taxable estate. However, for income tax purposes, the existence of the trust is ignored and all income earned by the trust is taxed to the Grantor.

How can an Individual Benefit?

- An IDGT provides overall asset protection for the assets transferred into it.
- The control of who will receive the trust property at the grantors death or who will receive the income during the grantor's life.
- May help in the shelter of assets from creditors.
- By moving property into the IDGT, the grantor will reduce the size of their taxable estate while increasing their legacy through wealth transfer to heirs.



QUALIFIED PERSONAL RESIDENCE TRUST (QPRT)

A qualified personal residence trust (QPRT) involves an irrevocable transfer of your personal residence to a trust where you retain the right to live in the residence for a fixed period of years. At the end of the term the residence is transferred to beneficiaries designated by you, either outright or in trust.

Advantages

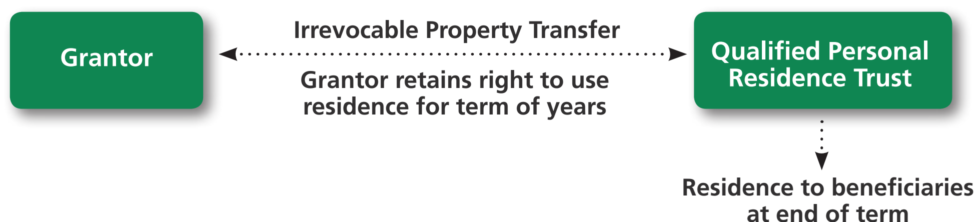
- Leverages grantor's lifetime gift exemption.
- Grantor can act as trustee during the trust term.
- Grantor can lease back property at expiration of trust term for fair market rent.

Estate Tax Considerations

If the grantor dies during the income term of the QPRT, the value of the property at the date of death will be included in the taxable estate, just as if the trust were never established. It is, therefore, important to select a term that you will likely survive.

Income Tax Considerations

A QPRT is a grantor trust as it pertains to income tax. Your ownership interest in the property is the same for income tax purposes as before the contribution to the trust. All interest and taxes applicable to the personal residence are deductible.



CHARITABLE LEAD TRUST (CLT)

A charitable lead trust is an irrevocable trust in which annual payments are made to a charity chosen by the Grantor, for a term of years or lifetime with the remainder interest passing to beneficiaries.

Trust Formats

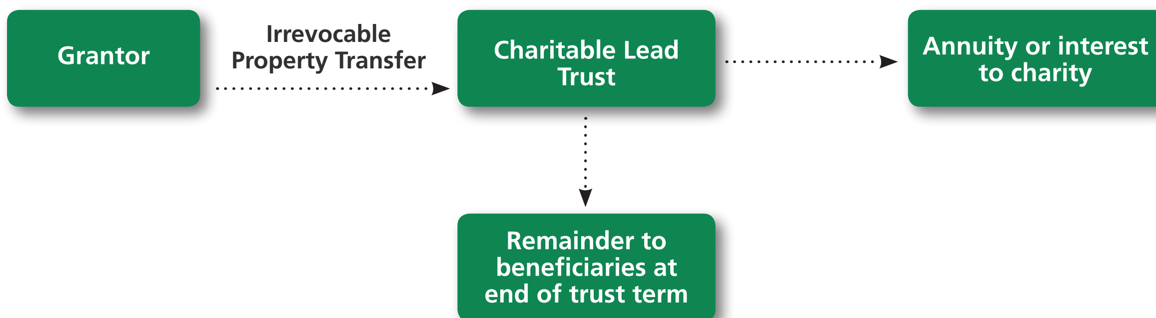
Charitable lead trusts may be created during lifetime or established upon death. Regardless of when the trust is established it must be in the form of a charitable lead annuity trust (CLAT). An annuity trust will make lead interest distributions of a fixed percentage of the trust fair market value at least annually.

Advantages

- The present value of the payments to charity reduces your gift and estate taxes.
- Income earned from trust assets is not included in your individual taxable income.
- The amount and term of the distributions to charity can be set so as to reduce or even eliminate the transfer taxes due when the principal passes to your beneficiaries.

Considerations

If established as a non-grantor trust, the CLT is taxed as a complex trust and is allowed a charitable income tax deduction for amount paid out of gross income to a qualified charity. A non-grantor trust is able to deduct 100% of the charitable distributions (no AGI limitations). If a CLT is a grantor trust, the donor recognizes each year all of the trust's income. In the year that the trust is established, the donor will receive an immediate income tax deduction equal to the value of the lead interest.



CHARITABLE REMAINDER TRUST (CRT)

A charitable remainder trust is a tax-exempt irrevocable trust in which the grantor, or beneficiaries designated by the grantor, retain an income interest for a set term of years or for life, with the remaining trust assets passing to charity.

CRT Basics

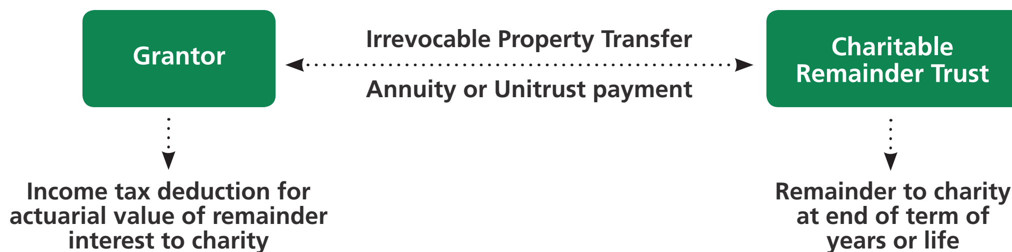
There are two types of charitable remainder trusts, a charitable remainder annuity trust (CRAT) and a charitable remainder unitrust (CRUT). Distributions from a CRAT are made at least annually and are based on a fixed percentage of a trust's initial fair market value. A CRUT will provide distributions based on a fixed percentage of trust fair market value revalued annually.

Considerations

Funding a charitable remainder trust with cash will result in a deduction limitation of 50% of the donor's adjusted gross income (AGI), if the remainder payment passes to a public charity, or 30% if remainder beneficiary is a private foundation. If the trust is funded with long-term appreciated property, the income tax deduction is based on the fair market value at the time of the contribution, limited to 30% of the donor's AGI, or 20% if the remainder passes to a private foundation. If short-term appreciated property is used to fund the trust the donor's cost basis rather than the property's fair market value will be the deductible amount for income tax purposes, limited to 50% of the donor's AGI, or 30% if remainder beneficiary is a private foundation.

Benefits

- Donating assets to a CRT makes you eligible for a tax deduction.
- Assets are exempt from capital gains tax.
- CRT assets are excluded from the calculation of the value of your estate for estate tax purposes when you die.
- You or your designated beneficiaries receive an income stream for life or for a term of years.



"Whether you're seeking to manage your own assets, control how your assets are distributed after your death, or looking for a way to safeguard personal and professional assets from liability, trusts can help you accomplish your wealth planning goals."

Value of Life Insurance

AT THE FOREFRONT OF LIFE INSURANCE THERE IS THE DEATH BENEFIT. IT IS THE BREAD AND BUTTER OF NUMEROUS POLICIES, AND MANY SEE LIFE INSURANCE AS MERELY AN INCOME REPLACEMENT TOOL.

However, there is much more value to be desired outside of this common view. Numerous financial strategies, mainly estate planning, employ life insurance as more than just a way to supplement the income of the insured. One example of this is to protect the transfer of wealth from taxes. Supplementing the tax hit with a tax free death benefit is a great way to ensure that beneficiaries don't miss out on the financial resources built up over a lifetime.

In addition to estate planning, there are numerous business applications for life insurance. Many non-qualified retirement plans are funded with cash value life insurance. This gives the employee a death benefit should anything happen to them, and also provides them with the potential for income withdrawals at a certain point during or after their career. Other examples are key man insurance, which allows the company to receive a death benefit in the event that a key employee passes away. This allows them to make up for earnings that the employee would have otherwise contributed. Other applications include buy-sell agreements or cross purchase plans.

Not only does life insurance provide a death benefit, but it can offer numerous living benefits. These living benefits come from either the cash value accumulated within the policy, or from a rider that is attached to the policy. Many policies today offer long term care riders that can lower the cost of care should the insured need it. Also, there are ways to set up cash withdrawals from the policy to help pay for college tuition, retirement, or fund other needs later in life. There are numerous riders available that offer advantageous benefits depending on the given situation.

One scenario that is a concern for many is that should their spouse be the beneficiary, what happens to their estate if the spouse also passes? Survivorship, or second to die life insurance allows underwriting to take place on the lives of two individuals. This offers several benefits. One is that the death benefit will be tax free for the elected beneficiaries once the second insured passes. Also, underwriting may be more liberal on the life of two individuals; this is especially handy if one individual runs the risk of being highly rated or uninsurable. Also, the premiums can be lower than insurance on the life of one individual.

Business Continuation Planning

According to familybusinessinstitute.com, 88% of current family business owners believe the same family or families will control their business in five years, but succession statistics undermine this belief. Only about 30% of family and businesses survive into the second generation, 12% are still viable into the third generation, and only about 3% of all family businesses operate into the fourth generation or beyond. The statistics reveal a disconnect between the optimistic belief of today's family business owners and the reality of the massive failure of family companies to survive through the generations. Research indicates that family business failures can essentially be traced to one factor: an unfortunate lack of business succession planning.

Whether your business is a one-person operation, a partnership or a closely held corporation, a business continuation plan should be a major component of your overall business strategy. A business continuation plan isn't just about protecting your business. Your business might be the cornerstone of your family's financial security. You may have even used your family's assets or home to secure a loan for your business. Life insurance can play an important role in funding an effective strategy for your business continuation plan that will not only secure the future of your business but can offer financial protection to your family in the event of your death.

How can life insurance help? Life insurance death benefits are generally paid out income tax free and payments are immediate. Having cash on hand can help your family to implement your plans and make the business transition easier. In the absence of a family succession plan, it may be necessary to liquidate the business, sell the business or hire someone else to manage the company for the family. In each of these instances the proceeds from the life insurance can be used to make up for lost income and offset the costs associated with the liquidation, the sale or the hiring of a new manager.

There are a few different strategies you can implement when structuring your business succession plan. Depending upon what type of business entity you have and whether or not family is involved you may choose to enter into a Buy-Sell agreement. Or perhaps you want to take out a Key Person policy on yourself to ensure that the business would have the cash necessary to replace any lost income or to hire your replacement. Either way, life insurance can be and most often is a necessary component to a successful business succession plan. Where your business is concerned, you don't leave success to chance and you shouldn't leave your business succession to chance either.

Charitable Planning

By utilizing life insurance, it is possible to offer a meaningful charitable gift while still transferring most of your wealth to your loved ones.

Many people donate time and money each year to their favorite charities. According to the National Center for Charitable Statistics, charitable contributions by individuals, foundations, corporations and bequests reached $429.85B in 2014. Individuals alone made contributions of $358.38B last year. You might be asking yourself why people have given away so much of their own money. Well, some people are just charitably inclined and like the idea of supporting a cause near and dear to their heart. Others may have lost a loved one to illness and like supporting the research efforts of that organization. Either way, charitable giving not only makes the donor feel good but it also provides them with an annual tax savings.

One such way to leave a lasting legacy to your favorite charity is through the gift of life insurance. Life insurance provides the charity with a tax-free death benefit, and because the cost of life insurance is not a dollar for dollar ratio, the premium dollars spent to purchase the life insurance usually provide a far greater return in the end. You could just make a substantial donation from your estate at death; however, making a significant financial gift could reduce the amount of wealth that is transferred to your heirs. By utilizing life insurance it is possible to offer a meaningful charitable gift while still transferring most of your wealth on to your loved ones.

"By utilizing life insurance, it is possible to offer a meaningful charitable gift while still transferring most of your wealth on to your loved ones."

A cash gift to a charity may be leveraged by a life insurance policy that is owned by the charity and for which the charity is the beneficiary. For relatively small annualized premiums, a large death benefit may be provided to the charity. You can either gift the cash directly to the charity so that the charity can pay the premium or you can pay the premium directly to the insurance company. In either case, you have made a tax-deductible gift to the charity.

If you are currently making annual contributions to your favorite charity, you might consider employing the "Give Now, Give Later" strategy. By using your current annual contribution as a guideline you can continue to give some portion of your current annual donation to help fund current charitable activities and donate the balance of the current contribution to the charity for the specific purpose of paying premiums on a life insurance policy on your life. The charity as owner and beneficiary of the life insurance will receive the total death benefit and not lose any portion to estate taxes, probate, or administrative costs, which can occur with the gifting of other assets.

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