

The fundamentals of gifting a life insurance policy

Meet our speaker



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Key topics

1

Life insurance & charitable planning

2

Wealth replacement strategy

3

Life insurance with CRTs & DAFs

4

Case studies

The power of life insurance in charitable planning



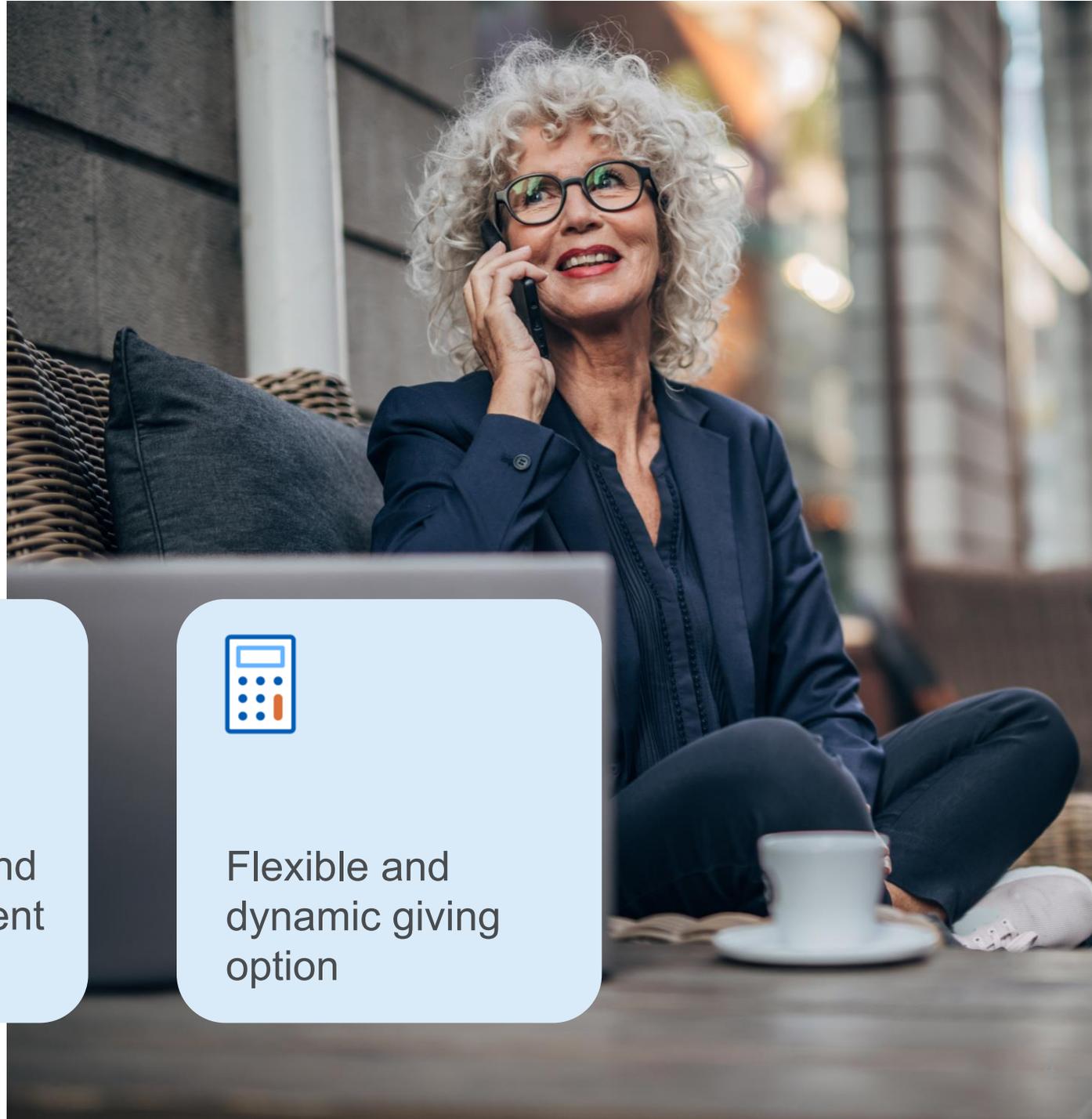
Delivers large impact from modest premiums



Donor legacy and mission alignment



Flexible and dynamic giving option



Gift of life insurance: new & existing policies

New & existing policies

Charity's gift acceptance policy

Consult charity; no term insurance

Insurability

Consult insurance company

Ownership

- Deduction generated from assignment of ownership limited to 50% of AGI plus carryforward
- Premiums paid to charity – regular AGI limits and carryforward apply (e.g. 60% cash and 30% long-term capital gain assets)
- Premiums paid to insurance company – deduction may be limited to lower AGI thresholds

Loans

Reduces the deduction for assignment of the policy

Appraisal requirement

Required if deduction for assignment is more than \$5,000

Form 8283

Donor files, but charity and appraiser sign

Premium design

Design so fully paid-up within reasonable timeline

Beneficiary designation

Reduces taxable estate

Charitable remainder trust

Irrevocable trust designed to provide income to the donor or other beneficiaries while ultimately benefiting a charitable organization.



Cash or appreciated asset

Appreciated asset gift



Charitable remainder trust

Remainder at term-end



Charity

Donor gains income tax deduction, and estate tax reduction

Annual payment

Grant over time



Donor or family

DAFgiving360 does not act as trustee or custodian. Donors should consult their legal or tax advisor about their particular circumstances.

A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Consult a tax advisor for more information.

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Irrevocable life insurance trust (ILIT)

A life insurance trust that cannot be changed or revoked once established and is designed to reduce the impact taxes will have on your estate.



Premium(s) paid to the ILIT by the donor

Life insurance premiums



ILIT passes premiums on to insurance company and Crummey notices to trust....

Death benefit



Death benefit delivered back to ILIT to be distributed per the donor(s) instructions

Death benefit



Named heirs and/or to cover estate taxes/expenses

A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Consult a tax advisor for more information.

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A photograph of three people sitting around a wooden table in a modern office setting. A woman with blonde hair is seen from the back, wearing a blue blazer. A woman with dark hair is wearing a teal shirt and smiling. A man with brown hair is wearing a beige sweater and smiling. They appear to be in a collaborative meeting.

Wealth replacement strategies

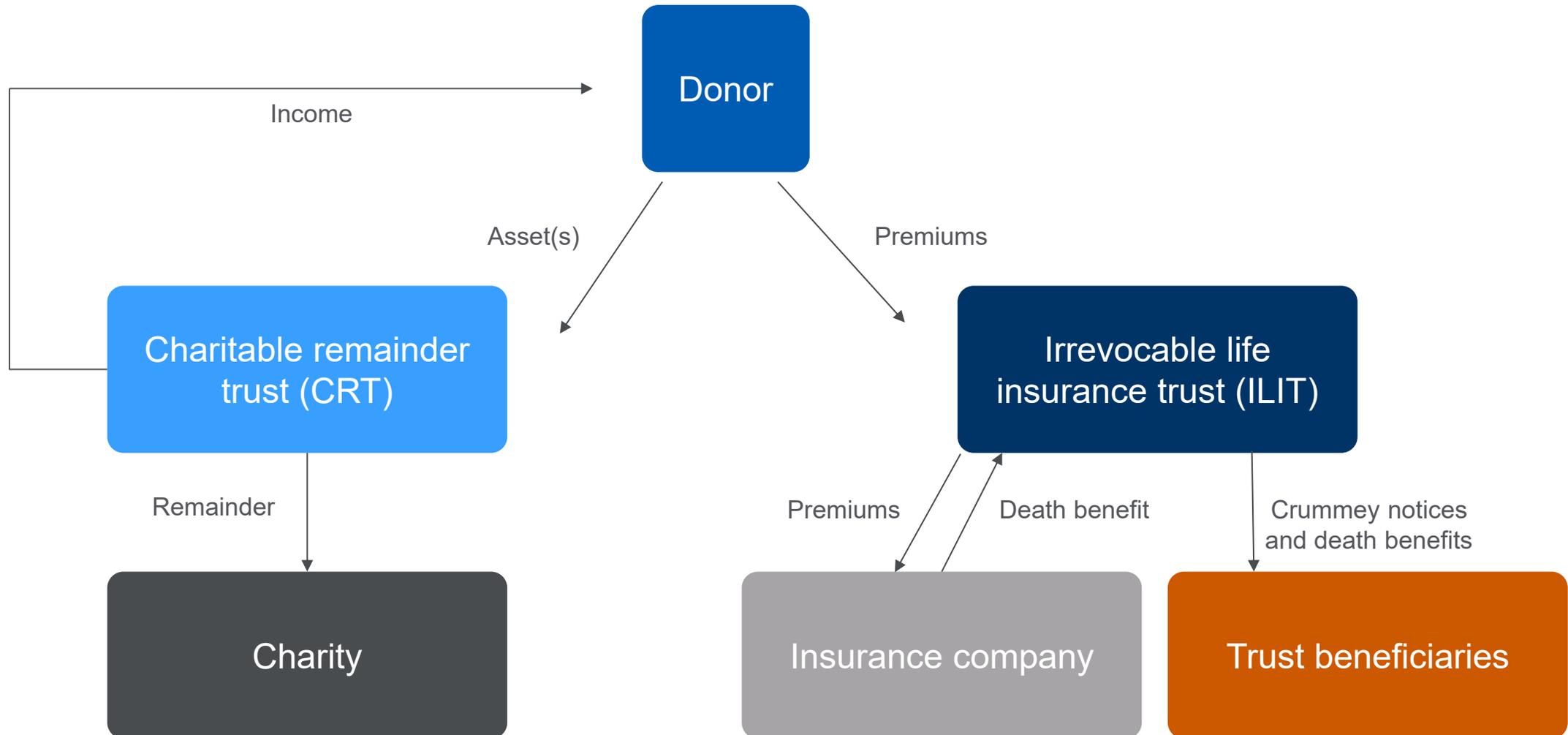
Charitable remainder trust (CRT)

- Gift noncash assets to the CRT
- Income from CRT pays for the life insurance FBO the heirs
- Premiums funded via CRT payments (CRAT or CRUT)

Irrevocable life insurance trust (ILIT)

- Similar to CRT, but income is paid to donor(s). Donor(s) contribute(s) to ILIT and Crummey notices
- Avoiding indirect self-dealing rules
- Keeping insurance out of the taxable estate

Leveraging CRTs and ILITs





Life insurance within CRTs

CRTs do not generally own life insurance policies

Annual valuation requirements within CRUTs are challenging

CRTs can fund life insurance premiums





Life insurance with DAFs

DAF providers may own life insurance policies

Gift during life or death

Simplicity for administration



Contributing life insurance to a DAF

Life insurance policy cost basis: \$200,000
 Federal income tax rate: 24%



Policy surrender value:
\$500,000

	Option 1: Surrender policy yourself, then contribute the post- surrender proceeds	Option 2: Contribute policy directly to DAFgiving360, who then surrenders policy	
Income taxes paid on policy gains	\$72,000	\$0	Donating the policy directly results in \$72,000 more going to charity.
Remaining value for charity	\$428,000	\$500,000	
Tax savings	\$30,720	\$48,000	Additional tax savings is up to \$17,280.

This hypothetical example is only for illustrative purposes. The example does not take into account any state or local taxes or potential surrender fees. The tax savings shown is the tax deduction, multiplied by the donor's marginal income tax rate (24% in this example), minus the income taxes paid. In Option 2, because life insurance is an ordinary income asset, the deduction is limited to the \$200,000 policy basis.

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Collaboration tips and best practices

1

Clarify details upfront with the potential donor(s)

2

Decide when to pull in estate counsel

3

Communicate effectively with nonprofit development staff

4

Acquire and retain gift documents



Summary and key takeaways



Deduction rules

Top 5 best practices

Ideal target for these gifting strategies

Resources and Q & A



[Contributing complex assets](#)

A collection of helpful white papers on contributing non-cash assets, including life insurance



[Giving Guide and advisor's guide](#)

13 topics to help clients develop a comprehensive giving strategy



[Family Philanthropy Series](#)

A series of guidebooks, roadmaps, and videos to engage family members

Thank you!

Important Disclosures

DAFgiving360 does not provide legal or tax advice. Please consult a qualified legal or tax advisor where such advice is necessary or appropriate.

Contributions made to DAFgiving360 are considered an irrevocable gift and are not refundable. Once contributed, DAFgiving360 has exclusive legal control over the contributed assets. A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation.

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