

Column: Consider giving lapsing insurance policy to charity

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It is estimated that approximately half of all life insurance policies owned by seniors will be allowed to lapse without any benefits ever being paid out other than any remaining cash surrender value. With approximately \$19.2 trillion of life insurance in force in the United States at any given time, the amount that may lapse without paying any meaningful benefits to the consumer, his or her family and/or a charity of their choosing, is staggering.

Consumers allow their life insurance policies to lapse for a variety of reasons. Some can no longer afford the premiums. For others, the reasons for originally purchasing life insurance no longer exist.

Until the recent formation of the Insuring a Better World Fund (IABWF), we do not believe a single entity existed that aggregated and administered policies for the benefit of charity when the policy was no longer wanted or would be lapsing. The IABWF is able to accomplish the aforementioned while at the same time relieving the consumer of the obligation of paying the premiums due on said policy. Additionally, the consumer will be entitled to a charitable deduction based on the fair market value of the donated policy.

The IABWF does not buy the life insurance policies and is not a life settlement. It is a charitable entity operated by the Inter-Vivos Foundation, a tax exempt, publicly supported Section 501(c)(3) of the Internal Revenue Code charity. In order for the IABWF to consider accepting your life insurance policy, there are various factors that must be assessed and complied with:

- The insured/owner of the policy generally must be 65 years of age or older and have experienced a change in health since the policy was issued.
- The insured would need to provide information about his or her current health (although no medical exams will be required).
- Any and all types of life insurance policy will be accepted, whether it be term, universal, whole life or second to die.
- The policy must have a minimum death benefit of \$400,000.
- The policy must have been purchased more than 3 years ago.

The IABWF aggregates and administers thousands of donated life insurance policies. Once a policy is accepted, it will pay all premiums. The IABWF will then distribute the death benefits after the payment of all the premiums and after expenses on a pro-rata basis to the charities selected by the donor of the policy and approved by the organization's board of directors.

In essence, a charity selected by the consumer will receive a substantial portion of the death benefit of a life insurance policy that would not have paid a single dime if it were allowed to lapse. All of this is accomplished, plus the donor of the policy will be able to receive a valuable charitable deduction for income tax purposes based on the approved fair market value of the policy, under Section 170 (e) of the IRC.

The IABWF is able to help support numerous charities and their endeavors without any cost to the charities themselves while also allowing the consumer to obtain a valuable tax benefit. While we are generally reluctant to promote any single charity, when one is able to make something out of nothing, it deserves our attention.

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