

On Eagles' Wings

A SERIES OF GIFT PLANNING NEWSLETTERS FOR ALUMNI AND FRIENDS OF FLORIDA GULF COAST UNIVERSITY

One of the Best-Kept Secrets

Gift Planning with Life Insurance

It's certainly no secret that life insurance is a unique and valuable asset. It can be a primary means of providing financial security for your family; a source of immediate cash for the payment of estate taxes and settlement costs; and a vehicle that accumulates cash values.

What's not so well-known, however, is that life insurance offers many creative ways to provide major support to Florida Gulf Coast University. For example, you can use life insurance to make cost-effective outright gifts or to make significant gifts on the installment method through premium payments. And, generally, you can make the gifts at very little after-tax cost. You could also use life insurance to make a charitable bequest outside your will. You can even use life insurance as a wealth replacement tool when you make a major gift to FGCU. Indeed, life insurance often can allow you to make a meaningful gift that otherwise might not be possible.

This issue of *On Eagles' Wings* discusses time-proven and creative ways to use life insurance in your gift planning. We hope you find it helpful in your own planning decisions. We encourage you to share these ideas with your financial advisors or give us a call at (239) 590-1077. We'll be happy to help you explore how you can benefit yourself, your family, and FGCU.



Warmest regards,

A handwritten signature in black ink, appearing to read 'Peter'.

Peter C. Lefferts, Ed.D.
Director of Planned Giving



Life Insurance as an Outright Charitable Gift

Life insurance policies that are donated to FGCU generally fall into one of two categories:

- policies previously purchased by the donor for family protection needs which no longer exist, or
- newly acquired policies specifically purchased to provide a gift to FGCU.

The No-Longer-Needed Policy

As years go by, people sometimes find that a life insurance policy is no longer needed for its original purpose. A good example would be a policy purchased for the education of a child now grown, or for the financial security of a spouse now deceased.

For those individuals who wish to make a major gift to FGCU, it may make sense to transfer such a policy to us. We will eventually receive the

face amount of the policy, and — if you make an absolute assignment of ownership — you will receive an immediate income tax charitable deduction equal to the fair market value of the policy or its cost basis, whichever is less. What's more, if your policy is not yet paid-up, annual gifts made to the University to continue the premium payments will also be considered deductible.

It's really very easy to make a gift of life insurance. We'll be happy to provide you with the step-by-step details.

Example: Stephen owns a \$150,000 life insurance policy that he purchased years ago to provide his sister, Katherine, with financial assistance should Stephen die first. Stephen has paid gross premiums totaling \$23,000 for the policy, and has received back policy dividends which reduce his net cost by \$5,000. The policy now has a cash surrender value of \$22,000.

Katherine died last year, and Stephen is considering donating the policy. By

assigning the policy to Florida Gulf Coast University, Stephen can assure that we will receive \$150,000 at his death. In addition to the tremendous personal satisfaction he will experience, Stephen will also get to deduct \$18,000 (\$23,000 premiums minus \$5,000 dividends) on this year's federal income tax return. (The amount of the contribution is the lesser of the policy's value or his cost basis.) In his 35% federal income tax bracket, this deduction will generate an immediate income tax savings of \$6,300. Thus, Stephen's net cost of making this generous gift is only \$15,700 (\$22,000 cash surrender value minus \$6,300 tax savings). Stephen also will be allowed income tax deductions for the annual premiums he will provide to keep the policy in force.

The New Policy: A Gift on the Installment Method

Perhaps you do not have life insurance coverage that has outlived its purpose, but still want to make a significant charitable gift at a reduced cost. You can purchase a new life insurance policy and then transfer ownership of the policy to FGCU. All the premiums you pay will be tax-deductible. A very popular arrangement is to purchase a policy that will be paid up in, say, ten years. This can be an excellent way to make a significant gift in convenient installments at modest after-tax cost and without decreasing the estate left to other beneficiaries.



Naples residents, Drs. Burt (center) and Ruth Holmes, have created a named endowed scholarship fund at FGCU that provides financial support to several students every year, in perpetuity.

Easy Way to Make a “Bequest”

Another way to make a charitable gift of life insurance is simply to name FGCU as a policy beneficiary without assigning ownership of the policy. While a revocable beneficiary designation does not generate a current income tax deduction, it will be deductible by your executor for estate tax purposes. In essence, it’s similar to making a bequest. And all you need to do is contact your life insurance agent to complete the necessary forms to change your beneficiary designation and make your “alternative bequest.”

Other Advantages of Life Insurance Gifts

In addition to making a substantial gift at reduced cost and considerable tax savings, there are other significant benefits of life insurance gifts as well:

- A gift of life insurance allows you to retain other assets for your family.
- Payment of the life insurance proceeds to FGCU can be made quickly without the delays and expenses of probate.
- You can make a gift of life insurance without publicity.
- Your gift is deductible for both federal gift and estate tax purposes.

Replacing Capital Donated to Charity

A deterrent for some individuals in carrying out their philanthropic desires is fear of depriving their family of assets that they might need. A planning technique has evolved to

address both priorities: family financial security and philanthropic commitment. It’s often called wealth replacement or capital replacement. The idea is to find a way to avoid jeopardizing your family’s security while still providing major support to Florida Gulf Coast University.

Capital replacement involves the combined use of a charitable remainder trust and a life insurance policy. Capital replacement is actually a very effective way to attain family and philanthropic goals, while minimizing income and estate taxes, and — in some cases — capital gains taxes.

Here’s how the wealth replacement technique works: Let’s say a married couple has a combined estate of \$5,000,000. One of their major assets is real property worth \$800,000 that provides very little income but is highly appreciated. By transferring this property to a charitable remainder trust that will ultimately pass to us, the couple can generate a much better current income (say 5% or \$40,000 a year),

avoid an immediate capital gains tax on the appreciation, and receive a large income tax deduction in the year of their gift. Because the property placed in the trust will be free of the federal estate tax, they also will reduce their potential federal estate.

They can use the tax savings from the charitable deduction and/or part of their increased income to buy \$800,000 of low-cost survivor life insurance that will be paid to their children (or to a trust for their benefit) at the death of the surviving spouse. This arrangement replaces the asset that is donated to FGCU, gives the couple a great deal more income during their lives, reduces their taxes, and provides a major gift to support our mission.

We’ll be happy to provide you with all the figures and details if you would like to explore such an arrangement.



Fort Myers residents, Sue and Dick Ackert, have named FGCU as the beneficiary of a life insurance policy to benefit students.



Hispanic Council of Southwest Florida Endowed Scholarship in Memory of Mary G. Johnson co-sponsor Mary Horvath (left) with Scholarship recipient Juanita Dorado.

Let Us Hear from You

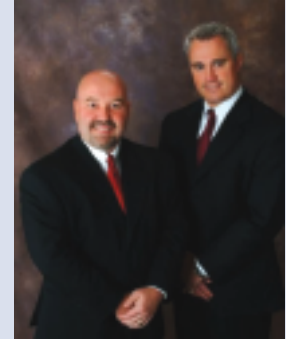
We hope you have enjoyed this issue. If you have been thinking about a major gift to Florida Gulf Coast University, we urge you to consider the many advantages of using life insurance — either as an outright deferred gift or as a wealth replacement technique — to accomplish your objectives.

Life insurance may be the best-kept secret in charitable gift planning. To explore further how you can benefit, please send for our in-depth booklet, *Gifts of Life Insurance — Effective Ways to Make Them*. Simply complete and return the enclosed reply card or give us a call.

“Life Insurance” An Educational Program Sponsored by the FGCU Foundation

Recent economic developments make it prudent for nearly all life insurance policy owners to have their policies reviewed.

Please join hosts Mr. Leo Boisvert, CIMA and Mr. Erik Heben, CFP with the Boisvert/Heben Wealth Management Group of UBS Financial Services, Inc. and insurance specialist Mr. Tom Cannizzaro of Highland Capital to



Boisvert and Heben

learn how you may be able to reduce your current life insurance premium, increase your death benefit, or a combination of the two, as well as provide for a current charitable donation.

All programs are scheduled from 10:00am to 11:30am and include light refreshments.

FGCU Campus	February 14, March 14, or April 11
Cape Coral	February 15, March 15, or April 12
Naples Center	February 27, March 23, or April 18
Marco Island	April 5

To RSVP or ask questions contact: Pete Lefferts, (239) 590-1077 or plannedgifts@fgcu.edu



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