



STABLISH  
FOUNDATION

## The Legacy Digest

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### Using Life Insurance to Create a Charitable Legacy

Many Americans make annual donations of cash or property to the charities of their choice. These same individuals often wish they could do more. In addition, these annual donations are sometimes impulsive gifts. Rather than making impulsive charitable gifts annually, some people plan their charitable giving carefully to leave a Charitable Legacy after their death.

A Charitable Legacy can be created by gifting a substantial amount of an estate to charity to provide a permanent endowment. But, on many occasions, family members may not approve of donating a large portion of the estate to charity. This is one example where life insurance could be an excellent cost-effective solution.

The following are a few simple ways to implement life insurance for ongoing charitable giving:

- 1 **Direct gift of a paid-up life insurance policy** - As individuals age, the need for life insurance decreases. If an individual has a life insurance policy with sufficient cash value to permit the policy to maintain its death benefit without any paying any additional premiums, the policy could be donated to Stablush Foundation in a Donor Advised Fund (DAF). The Donor receives a charitable tax deduction equal to the amount of the cash value at the

time of the gift. Upon the death of the donor, the proceeds from the policy are paid into the DAF at Stablish Foundation. These funds are then invested with approximately 5% of the value of the DAF gifted annually to the charity or charities chosen by the Donor.

**2 Permit Stablish Foundation to purchase a life insurance policy on the Donor's life –**

A Donor can allow Stablish Foundation to purchase a life insurance policy on his or her life. To pay for the policy, the Donor contributes the amount of the annual premium to Stablish Foundation each year. These payments are tax deductible to the Donor in the year they are made. Upon the death of the Donor, a DAF can be established to provide annual distributions to the charity or charities selected by the Donor. Over a Donor's lifetime, the total of the charitable contributions for the premium payments do not usually reach the value of the death benefit. This difference demonstrates how the "financial leverage" of life insurance may create a substantially higher amount of charitable giving than making a direct gift of cash or property.

**3 Naming a DAF at Stablish Foundation as a beneficiary of a life insurance policy –** This is the simplest method of using life insurance. While it does not offer the Donor any current income tax deductions, it does reduce the Donor's estate by the amount of the death benefit and it provides continuing gifts to the charities of the Donor's choice.

**4 Purchase a life insurance policy to replace the value of a gift of an IRA to a DAF at Stablish Foundation –** There are significant income tax implications to the beneficiaries of an IRA. To eliminate the tax impact to your beneficiaries and create a Charitable Legacy, a Donor can name Stablish Foundation as the beneficiary of the IRA and purchase a life insurance policy for his/her beneficiaries to replace the amount contributed to establish the Charitable Legacy. This will provide the beneficiaries with a tax-free payment from the life insurance policy. Plus, since Stablish Foundation is a tax-exempt entity, there is no income taxation on the IRA distribution upon the death of the Donor.

These are just a few ways to use life insurance as part of a Donor's long term Charitable Legacy strategy. It is important to have a trusted attorney, accountant, or investment adviser assist you with your charitable plans. Stablish Foundation is happy to work with you and your advisers to help you make the right decisions to create your Charitable Legacy.

## Why Stablish

Stablish Foundation has no set minimum required contribution amount to create a Donor Advised Fund. This allows all Donors to create their own Charitable Legacy, something that had been limited to wealthy individuals.

## Featured Charity

### Oklahoma Baptist University

A Donor who attended Oklahoma Baptist University wanted her Charitable Legacy to support the work of her alma mater. One of the important Programs of the University is the training of nurses. To train nursing students in a variety of real-life situations, the University wished to purchase and maintain specialized mannequins. Under the control of the instructor, these unique mannequins can simulate endless real-life situations - such as a heart attack, a breach birth, or a cessation of breathing - helping to prepare nursing students for actual scenarios they may face in a hospital setting.

Through distributions from a DAF established at Stabish Foundation, the University can purchase and maintain these valuable tools, and the Donor has created her Charitable Legacy training future generations of nurses to provide the best possible patient care.



## Giving Vocabulary

### Charity Vs. Philanthropy



**Charity** is a natural, emotional impulse to an immediate situation. Giving usually occurs in the short-term. Charity can take the form of monetary donations or volunteering.



**Philanthropy** tries to address the root cause of social issues and requires a more strategic, long-term approach. Creating a Charitable Legacy is a Philanthropic endeavor.

## Who We Are



### **Keith Witter, Chairman of the Board**

Keith Witter, Chairman of the Board of Stablish Foundation, is an attorney with extensive experience in estate planning, trust administration, tax planning, and investment management.

In 1984, he formed an investment advisory firm, FFP Investment Advisors, working with clients providing investment advice until 2011, when he decided to focus on the practice of law for his clients. His extensive background in estate law, investments, and financial planning gives the Stablish Foundation, which he founded in 1995, a unique and valuable perspective.

When asked why he founded Stablish Foundation, Keith said, “Stablish was founded to provide my clients and the clients of other investment advisors access to the charitable services that other community foundations were only providing to large donors. Because of the high required minimum contributions, existing community foundations were effectively eliminating the average donor. With Stablish Foundation’s lower minimum required contributions, many more individuals can access charitable services to create their personal Charitable Legacy.”



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