

# LIFE INSURANCE

## *Gift Planning at the University of Virginia*

### *Leaving a Legacy for the University of Virginia*

A life insurance policy provides a relatively inexpensive way to ensure financial support for spouses, children, or other dependents when we die. They are often used as an integral part of a “wealth replacement” estate planning strategy to provide funds for estate taxes owed at death.

But when an existing policy is no longer needed in whole or in part to satisfy its original purpose (the children are grown, the spouse is well provided for), the policy can be an ideal asset to fund a charitable gift larger than anything you might be able to fund during your lifetime.

#### **Naming the University as a Beneficiary of Your Policy**

As you may know, life insurance proceeds are a taxable portion of your estate when you die unless you designate your spouse or a charity as your beneficiary.

By designating the University as the beneficiary of your life insurance policy, this asset will be eliminated from your taxable estate at your death, and you will be assured that 100% of your designated amounts will be applied fully to the University school, unit or program you designate for the purposes you define.



Your designation will ensure a legacy of support for the University often far greater than you might imagine, while other assets in your estate will still be available for your family and other beneficiaries.

Designating the University as a beneficiary of your policy is simple—just request a beneficiary designation form from your life insurance company and complete it accordingly. Note that, because your designation is revocable, you will retain maximum flexibility during your life to adjust your beneficiary designation if your personal or family needs change.

#### **Naming the University as Owner and Beneficiary of Your Policy**

If you no longer need a policy for which you have paid all premiums owed (a “paid-up” policy) or a policy for which you have made all current premium payments but for which additional premiums are owed (a “partially paid-up” policy), you might consider transferring ownership of the policy to the University and designating your preferred school or program as beneficiary of the policy proceeds.

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You will be entitled to a current charitable income tax deduction based on the value of the policy at the time of your contribution. If premium payments are still owed on the policy, you will be eligible for an income tax deduction for the value of the policy at the time of your contribution plus additional income tax deductions for future cash contributions you make to the University to cover premium payments as they come due.

## The Cornerstone Society— Letting Us Say Thank You

On October 6, 1817, President James Monroe and former Presidents Thomas Jefferson and James Madison gathered at a ceremony to lay the cornerstone of Pavilion VII, the first structure at the University of Virginia. Just as this cornerstone provided the foundation for the University's first building, the Cornerstone Society is laying the groundwork for the University's achievements in the decades ahead. The Cornerstone Society is the community of alumni, parents, and friends who have made planned gifts to the University or its related foundations, through wills, living trusts, or retirement plan assets; gifts of life insurance; charitable gift annuities; and charitable remainder trusts or lead trusts.



## EXAMPLE

*Mr. Smith wants to fund a scholarship benefiting students at the University, but he knows that his modest retirement income won't provide enough resources to fund the scholarship during his lifetime.*

*Fortunately, Mr. Smith has a partially paid-up \$125,000 life insurance policy with an annual premium of \$2,500 and a current cash surrender value of \$75,000. Originally purchased to take care of his minor children, the policy is no longer a necessary part of Mr. Smith's estate plan now that his children are grown.*

*If Mr. Smith transfers ownership of the policy to the University, he will receive a current charitable income tax deduction for the fair market value of the policy which the Office of Gift Planning can help him obtain.*

*In each subsequent year, Mr. Smith will contribute \$2,500 cash to the University, which will in turn pay the policy premium. Mr. Smith will be eligible to claim a charitable income tax deduction for each cash contribution made.*

*At the end of Mr. Smith's life, the \$125,000 in insurance proceeds will be used to establish Mr. Smith's scholarship.*

*By giving the University his insurance policy, Mr. Smith will be able to fund a charitable gift much larger than he had thought possible during his lifetime, and he will have created a thoughtful and important legacy for the University's students.*

## How to Contact Us

**call** 434-924-7306 or 800-688-9882 (toll free)

**email** [giftplanning@virginia.edu](mailto:giftplanning@virginia.edu)

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The Office of Gift Planning mailing address is  
PO Box 400807, Charlottesville VA 22904-4807.



The University of Virginia does not provide legal or tax advice. We recommend that you seek your own legal and tax advice in connection with gift and planning matters. To ensure compliance with certain IRS requirements, we disclose to you that this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.