



## Why Do We Give?

- ❖ Philanthropy – Believing in a Cause
- ❖ Social Justice and Responsibility
- ❖ Spiritual Conviction
- ❖ Family Tradition
- ❖ Giving Back to Community
- ❖ Memorials
- ❖ Sense of Well Being
- ❖ Tax Benefits

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It has been reported  
that Americans donated  
\$416.5 billion in 2013 –  
up 12.9%  
from \$368.8 billion in 2012

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## Where Charity Went in 2013

- ❖ Religious Causes - \$143.1 billion, up 8.6% from 2012
- ❖ Education Causes - \$68.2 billion, up 15.7% from 2012
- ❖ Human Needs / Disaster Services - \$49.6 billion, up 18.7% from 2012
- ❖ Health-related Causes - \$32.3 billion, up 10.8% from 2012

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## Where The Money Came From

- ❖ Individuals – \$310.8 billion, up 12.3% from 2012
- ❖ Foundations – \$57.8 billion, up 18.6% from 2012
- ❖ Corporations - \$20.1 billion, up 9.2% from 2012
- ❖ Bequests / Legacy Gifts - \$27.9 billion up 11.1% from 2012

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Bequests and Legacy Gifts  
– estimated at \$30 billion in 2014 –  
will be funded, in large part,  
through life insurance.

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While charitable giving can be funded in many ways, none offer the unique advantages and flexibility of life insurance

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Typically a policy's death benefit will leverage by many times the donor's charitable dollars.

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## There are several simple techniques using Life Insurance in charitable giving.

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One

### Create a new policy and make gifts to the charity

Charity can be the owner of the policy.

Provide a large gift in proportion to the amount gifted to the charity

Gifts to pay the premiums can be tax deductible – as long as no strings attached

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Two

## Buy life insurance to replace the value of a donated asset.

Donating highly appreciated assets to charity can provide income tax and estate tax benefits to the donor – however it can reduce what's left to the heirs.

Life insurance to the heirs can replace the value of the donated assets while minimizing taxes.

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Three

## Buy life insurance to back a pledge or future donation to charity.

Naming the charity as the beneficiary is an efficient way to ensure payment of a future donation or pledge.

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## Life Insurance

- Excellent vehicle to achieve charitable giving goals
- Provides the flexibility to donate as little or as much as desired
- Extremely cost effective

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With the proper design of a life insurance policy, it is not necessary for a charity to wait 20 or 30 years for a benefactor to die before receiving that person's financial donation.

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There can be tremendous value in creating a gifting strategy that allows the donor to see their financial bequests “in action” during their lifetime and being appreciated at the time of the gift.

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## Case Study # 1

Jane, age 70

\$200,000 CD

Earning .35% (1/3 of 1%)

Will not need this money during her lifetime

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Jane would like to leave this full amount to her kids when she dies .....

But also give a like amount to her favorite charity while she is still alive.

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| Age | End of Year | Premium Outlay | Guaranteed<br>3.00% Interest Rate |                          |               | Non-Guaranteed<br>4.9% Interest Rate |                          |               |
|-----|-------------|----------------|-----------------------------------|--------------------------|---------------|--------------------------------------|--------------------------|---------------|
|     |             |                | Account Value                     | Net Cash Surrender Value | Death Benefit | Account Value                        | Net Cash Surrender Value | Death Benefit |
| 71  | 1           | 200,000.00     | 182,086                           | 155,961                  | 475,000       | 194,270                              | 168,125                  | 475,000       |
| 72  | 2           | 0.00           | 177,185                           | 153,673                  | 475,000       | 198,077                              | 174,565                  | 475,000       |
| 73  | 3           | 0.00           | 171,466                           | 150,566                  | 475,000       | 201,949                              | 181,049                  | 475,000       |
| 74  | 4           | 0.00           | 164,809                           | 146,522                  | 475,000       | 205,778                              | 187,491                  | 475,000       |
| 75  | 5           | 0.00           | 157,066                           | 141,391                  | 475,000       | 209,450                              | 193,775                  | 475,000       |
| 76  | 6           | 0.00           | 148,065                           | 135,002                  | 475,000       | 212,849                              | 199,786                  | 475,000       |
| 77  | 7           | 0.00           | 137,604                           | 127,154                  | 475,000       | 215,851                              | 205,401                  | 475,000       |
| 78  | 8           | 0.00           | 125,430                           | 117,592                  | 475,000       | 218,323                              | 210,485                  | 475,000       |
| 79  | 9           | 0.00           | 111,255                           | 106,030                  | 475,000       | 220,125                              | 214,900                  | 475,000       |
| 80  | 10          | -200,000.00    |                                   |                          | 200,403       | 14,455                               | 11,842                   | 200,403       |
| 81  | 11          | 0.00           |                                   |                          | 200,403       | 10,156                               | 10,156                   | 200,403       |
| 82  | 12          | 0.00           |                                   |                          | 200,403       | 4,579                                | 4,579                    | 200,403       |
| 83  | 13          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 84  | 14          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 85  | 15          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 86  | 16          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 87  | 17          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 88  | 18          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 89  | 19          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 90  | 20          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 91  | 21          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 92  | 22          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 93  | 23          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 94  | 24          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 95  | 25          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 96  | 26          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 97  | 27          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 98  | 28          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 99  | 29          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |
| 100 | 30          | 0.00           |                                   |                          | 200,403       |                                      |                          | 200,403       |

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## Summary

Jane is able to take an asset, leave a like amount to her heirs and give a like amount to her charity – while she is still living.

The charity will receive the donation within 10 years and not have to wait until her death.

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## Case Study # 2

Beverly, age 65

\$200,000 in an IRA

Will not need income from this asset

Would like to leave the full value of the IRA to her heirs – income tax free

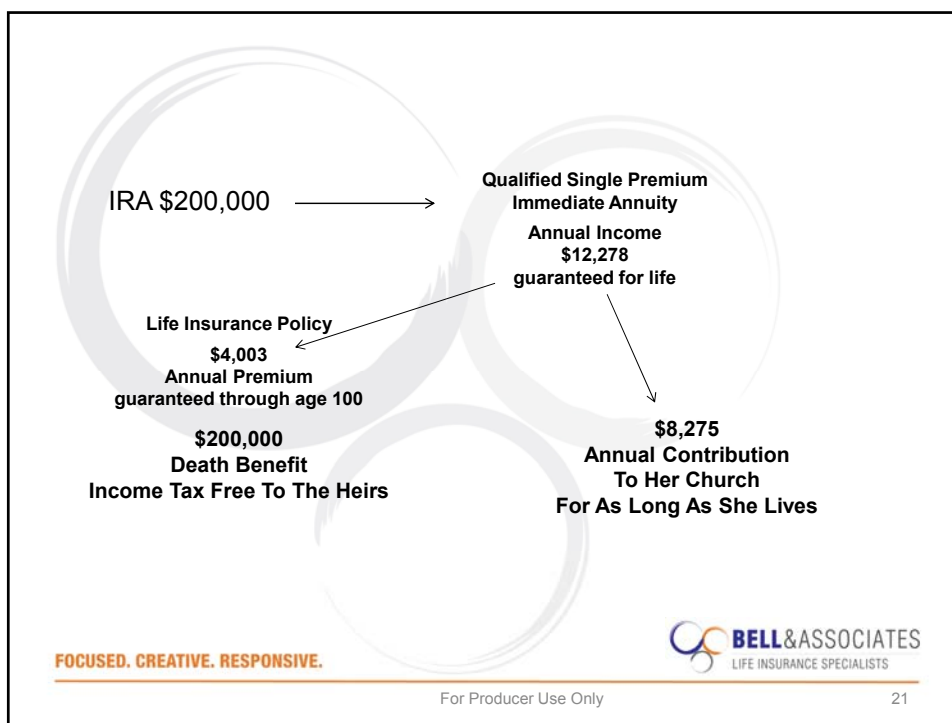
Would also like to contribute to her church on an annual basis for as long as she lives.

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## Summary

First of all, Beverly is able to pass the full value of her IRA to her heirs income tax free.

In addition, she has a lifetime income of over \$8,200 from which she can contribute to her church and other charities.

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## Case Study # 3

Robert, age 75

Very involved with a couple charities

\$250,000 in a money market

Wants to leave this amount to his grandkids

Would also like to give a significant amount to his two charities.

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| Age | End of Year | Premium Outlay | Guaranteed 3.00% Interest Rate |           |               | Non-Guaranteed 4.9% Interest Rate |           |               |
|-----|-------------|----------------|--------------------------------|-----------|---------------|-----------------------------------|-----------|---------------|
|     |             |                | Account Value                  | Net Cash  |               | Account Value                     | Net Cash  |               |
|     |             |                |                                | Surrender | Death Benefit |                                   | Surrender | Death Benefit |
| 76  | 6           | 250,000.00     | 225,599                        | 203,599   | 400,000       | 240,614                           | 218,614   | 400,000       |
| 77  | 7           | 0.00           | 217,374                        | 197,574   | 400,000       | 244,414                           | 224,614   | 400,000       |
| 78  | 8           | 0.00           | 207,495                        | 189,895   | 400,000       | 247,920                           | 230,320   | 400,000       |
| 79  | 9           | 0.00           | 195,542                        | 180,142   | 400,000       | 251,116                           | 235,716   | 400,000       |
| 80  | 10          | 0.00           | 181,015                        | 167,815   | 400,000       | 254,139                           | 240,939   | 400,000       |
| 81  | 11          | 100,000.00     | 62,640                         | 51,640    | 278,827       | 153,120                           | 142,120   | 278,827       |
| 82  | 12          | 0.00           | 40,353                         | 31,553    | 278,827       | 151,600                           | 142,800   | 278,827       |
| 83  | 13          | 0.00           | 13,184                         | 6,584     | 278,827       | 149,313                           | 142,713   | 278,827       |
| 84  | 14          | 0.00           |                                |           | 278,827       | 145,811                           | 141,411   | 278,827       |
| 85  | 15          | 0.00           |                                |           | 278,827       | 140,892                           | 138,692   | 278,827       |
| 86  | 16          | 0.00           |                                |           | 278,827       | 140,008                           | 140,008   | 278,827       |
| 87  | 17          | 0.00           |                                |           | 278,827       | 137,515                           | 137,515   | 278,827       |
| 88  | 18          | 0.00           |                                |           | 278,827       | 132,964                           | 132,964   | 278,827       |
| 89  | 19          | 0.00           |                                |           | 278,827       | 125,760                           | 125,760   | 278,827       |
| 90  | 20          | 0.00           |                                |           | 278,827       | 115,094                           | 115,094   | 278,827       |
| 91  | 21          | 0.00           |                                |           | 278,827       | 100,385                           | 100,385   | 278,827       |
| 92  | 22          | 0.00           |                                |           | 278,827       | 81,183                            | 81,183    | 278,827       |
| 93  | 23          | 0.00           |                                |           | 278,827       | 54,898                            | 54,898    | 278,827       |
| 94  | 24          | 0.00           |                                |           | 278,827       | 18,712                            | 18,712    | 278,827       |
| 95  | 25          | 0.00           |                                |           | 278,827       |                                   |           | 278,827       |
| 96  | 26          | 0.00           |                                |           | 278,827       |                                   |           | 278,827       |
| 97  | 27          | 0.00           |                                |           | 278,827       |                                   |           | 278,827       |
| 98  | 28          | 0.00           |                                |           | 278,827       |                                   |           | 278,827       |
| 99  | 29          | 0.00           |                                |           | 278,827       |                                   |           | 278,827       |
| 100 | 30          | 0.00           |                                |           | 278,827       |                                   |           | 278,827       |

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## Summary

Robert is able to leave his grandkids  
\$278,827 income tax free

By age 81 he is able to contribute \$50,000  
to each of his two charities.

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We have seen that so many more people  
will donate to their place of worship or  
favorite charity or cause if they can do so:

- While still involved
- While they can see the good effects of their contributions
- While they can be recognized within their community and by their peers

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So many more people will contribute if they can be shown a way where it doesn't detract from the money they are leaving their children and grandchildren.

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## Keeping Your Top Employees

A challenge with many charities is having the capital strength to keep key employees.

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***Most Important Cause in the World*** charity has an employee that is important to them.

They would like to offer that employee an incentive to stay with the charity throughout her working career.

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Female, age 35

Concerned about putting money away for retirement

Charity can afford \$12,500 per year for employment incentive.

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Charity will pay the employee \$10,000

This will be paid as a bonus

The employee applies the \$10,000 towards premiums in an indexed universal life policy.

This policy offers a projected growth rate that can give the employee a very significant retirement fund.

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In addition to the cash value, the policy also provides a large long term care (LTC) benefit.

In this example there is a monthly LTC benefit of 1% of the death benefit – with a current maximum of \$19,800.

This generally increases every year.

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| Policy Year | Age | Guaranteed Values 0% |               |                  |               | Non-Guaranteed Values 7.62% |               |                  |               |                   |
|-------------|-----|----------------------|---------------|------------------|---------------|-----------------------------|---------------|------------------|---------------|-------------------|
|             |     | Annual Premium       | Account Value | Cash Surre Value | Death Benefit | LTC Total Benefit           | Account Value | Cash Surre Value | Death Benefit | LTC Total Benefit |
| 1           | 36  | 10,000               | 2,274         | 0                | 752,274       | 752,274                     | 7,316         | 0                | 757,316       | 757,316           |
| 2           | 37  | 10,000               | 4,537         | 0                | 754,537       | 754,537                     | 15,129        | 2,184            | 765,129       | 765,129           |
| 3           | 38  | 10,000               | 6,773         | 0                | 756,773       | 756,773                     | 23,609        | 11,264           | 773,609       | 773,609           |
| 4           | 39  | 10,000               | 9,012         | 0                | 759,012       | 759,012                     | 32,691        | 21,163           | 782,691       | 782,691           |
| 5           | 40  | 10,000               | 11,239        | 567              | 761,239       | 761,239                     | 42,418        | 31,745           | 792,418       | 792,418           |
| 6           | 41  | 10,000               | 13,447        | 3,659            | 763,447       | 763,447                     | 52,835        | 43,048           | 802,835       | 802,835           |
| 7           | 42  | 10,000               | 15,634        | 6,769            | 765,634       | 765,634                     | 63,977        | 55,112           | 813,977       | 813,977           |
| 8           | 43  | 10,000               | 17,794        | 9,889            | 767,794       | 767,794                     | 75,863        | 67,958           | 825,863       | 825,863           |
| 9           | 44  | 10,000               | 19,910        | 13,002           | 769,910       | 769,910                     | 88,554        | 81,647           | 838,554       | 838,554           |
| 10          | 45  | 10,000               | 21,967        | 16,102           | 771,967       | 771,967                     | 102,139       | 96,274           | 852,139       | 852,139           |
| 11          | 46  | 10,000               | 23,949        | 19,164           | 773,949       | 773,949                     | 118,800       | 114,015          | 868,800       | 868,800           |
| 12          | 47  | 10,000               | 25,839        | 22,179           | 775,839       | 775,839                     | 136,667       | 133,007          | 886,667       | 886,667           |
| 13          | 48  | 10,000               | 27,606        | 25,116           | 777,606       | 777,606                     | 155,842       | 153,352          | 905,842       | 905,842           |
| 14          | 49  | 10,000               | 29,233        | 27,966           | 779,233       | 779,233                     | 176,415       | 175,148          | 926,415       | 926,415           |
| 15          | 50  | 10,000               | 30,703        | 30,703           | 780,703       | 780,703                     | 198,517       | 198,517          | 948,517       | 948,517           |
| 16          | 51  | 10,000               | 31,983        | 31,983           | 781,983       | 781,983                     | 223,330       | 223,330          | 973,330       | 973,330           |
| 17          | 52  | 10,000               | 33,047        | 33,047           | 783,047       | 783,047                     | 250,101       | 250,101          | 1,000,101     | 1,000,101         |
| 18          | 53  | 10,000               | 33,863        | 33,863           | 783,863       | 783,863                     | 278,996       | 278,996          | 1,028,996     | 1,028,996         |
| 19          | 54  | 10,000               | 34,404        | 34,404           | 784,404       | 784,404                     | 310,166       | 310,166          | 1,060,166     | 1,060,166         |
| 20          | 55  | 10,000               | 34,650        | 34,650           | 784,650       | 784,650                     | 343,803       | 343,803          | 1,093,803     | 1,093,803         |
| 21          | 56  | 10,000               | 34,566        | 34,566           | 784,566       | 784,566                     | 380,085       | 380,085          | 1,130,085     | 1,130,085         |
| 22          | 57  | 10,000               | 34,104        | 34,104           | 784,104       | 784,104                     | 419,117       | 419,117          | 1,169,117     | 1,169,117         |
| 23          | 58  | 10,000               | 33,241        | 33,241           | 783,241       | 783,241                     | 461,224       | 461,224          | 1,211,224     | 1,211,224         |
| 24          | 59  | 10,000               | 31,942        | 31,942           | 781,942       | 781,942                     | 506,621       | 506,621          | 1,256,621     | 1,256,621         |
| 25          | 60  | 10,000               | 30,192        | 30,192           | 780,192       | 780,192                     | 555,600       | 555,600          | 1,305,600     | 1,305,600         |
| 26          | 61  | 10,000               | 27,978        | 27,978           | 777,978       | 777,978                     | 608,507       | 608,507          | 1,358,507     | 1,358,507         |
| 27          | 62  | 10,000               | 25,254        | 25,254           | 775,254       | 775,254                     | 665,617       | 665,617          | 1,415,617     | 1,415,617         |
| 28          | 63  | 10,000               | 21,960        | 21,960           | 771,960       | 771,960                     | 727,245       | 727,245          | 1,477,245     | 1,477,245         |
| 29          | 64  | 10,000               | 18,072        | 18,072           | 768,072       | 768,072                     | 793,754       | 793,754          | 1,543,754     | 1,543,754         |
| 30          | 65  | 10,000               | 13,550        | 13,550           | 763,550       | 763,550                     | 865,534       | 865,534          | 1,615,534     | 1,615,534         |
| 31          | 66  | 0                    | 0             | 0                | 0             | 0                           | 932,643       | 932,643          | 1,682,643     | 1,682,643         |
| 32          | 67  | 0                    | 0             | 0                | 0             | 0                           | 1,004,722     | 1,004,722        | 1,754,722     | 1,754,722         |
| 33          | 68  | 0                    | 0             | 0                | 0             | 0                           | 1,082,110     | 1,082,110        | 1,832,110     | 1,832,110         |
| 34          | 69  | 0                    | 0             | 0                | 0             | 0                           | 1,165,218     | 1,165,218        | 1,915,218     | 1,915,218         |
| 35          | 70  | 0                    | 0             | 0                | 0             | 0                           | 1,254,455     | 1,254,455        | 2,004,455     | 2,004,455         |
| 36          | 71  | 0                    | 0             | 0                | 0             | 0                           | 1,350,224     | 1,350,224        | 2,100,224     | 2,100,224         |
| 37          | 72  | 0                    | 0             | 0                | 0             | 0                           | 1,453,006     | 1,453,006        | 2,203,006     | 2,203,006         |
| 38          | 73  | 0                    | 0             | 0                | 0             | 0                           | 1,563,116     | 1,563,116        | 2,313,116     | 2,313,116         |
| 39          | 74  | 0                    | 0             | 0                | 0             | 0                           | 1,681,037     | 1,681,037        | 2,431,037     | 2,431,037         |
| 40          | 75  | 0                    | 0             | 0                | 0             | 0                           | 1,807,281     | 1,807,281        | 2,557,281     | 2,557,281         |
| 41          | 76  | 0                    | 0             | 0                | 0             | 0                           | 1,942,359     | 1,942,359        | 2,692,359     | 2,692,359         |
| 42          | 77  | 0                    | 0             | 0                | 0             | 0                           | 2,086,927     | 2,086,927        | 2,836,927     | 2,836,927         |
| 43          | 78  | 0                    | 0             | 0                | 0             | 0                           | 2,241,575     | 2,241,575        | 2,991,575     | 2,991,575         |
| 44          | 79  | 0                    | 0             | 0                | 0             | 0                           | 2,406,925     | 2,406,925        | 3,156,925     | 3,156,925         |
| 45          | 80  | 0                    | 0             | 0                | 0             | 0                           | 2,583,539     | 2,583,539        | 3,333,539     | 3,333,539         |

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The charity will 1099 the employee each year for \$10,000  
 Employee will owe income tax on the \$10,000  
 For this example, we are assuming the employee has an effective tax rate of 25%  
 Therefore the employee has to pay \$2,500 each year in taxes.

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The charity will loan the employee the \$2,500 every year.

The loan will accrue at a 4% interest.

In 30 years, at employee's age of 65, the accrued loan will total \$76,964.

The projected cash value of the policy at age 66 is \$932,643 from which the employee will pay off the loan to the charity

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## Summary

The charity can offer a outstanding incentive for a key employee to stay.

If the employee stays, this plan can help achieve a comfortable retirement including extremely important long term care coverage

If the employee leaves early, they no longer have this retirement package plus they have to pay back the loan early.

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