Allianz Life Insurance Company of North America

Charitable giving strategies with **life insurance**

Leave a death benefit for your favorite charity.

Do you have a **favorite charity** that needs **financial support?**

The main purpose of life insurance is to provide a death benefit in the event of an early death. But that benefit can work for more than just your loved ones – it can work for a charity of your choosing, as well.

Many individuals wish to provide a special bequest to a charitable organization after they have passed on, but they don't want to use complicated strategies. A life insurance death benefit paid to a charity is a simple method that can provide your favorite charity with additional funds to help the charity continue with its purposes.

Let's look at the types of strategies available and how they may be able to help you leave a death benefit for your chosen charity.

1. Naming a charity as a beneficiary on an existing life insurance policy that you own

If you currently own a life insurance policy, your family may no longer have a need for the entire death benefit. If that is the case, you could simply change the beneficiary of the policy and name your chosen charity as the beneficiary of all or part of the death benefit. Even though you cannot income-tax-deduct the life insurance premium when you own the policy, the death benefit is included in the insured's taxable estate upon death, but your estate would receive an estate tax deduction for the amount of the death benefit paid to the charity.

2. Key donor life insurance owned by the charity

With this strategy, the charity purchases life insurance on your life, since you have been established as a key contributor to their charity. However, you would be responsible for the premium payments on the policy itself and could receive an income-tax deduction, subject to IRS limitations, for the cash gifts to the charity to pay the premium. Alternatively, the charity may wish to pay the policy premiums.

With strategy 1 or 2, you have created a legacy for the charitable cause through life insurance, and the amounts of your gift could be leveraged if the insured dies before life expectancy. In addition, the death benefit goes directly to charity without the delay of probate. Individuals with modest means can use life insurance to make a more sizable gift, with a death benefit ultimately paid to the charity.

3. Naming a charity as your IRA beneficiary or as beneficiary of a charitable trust, and creating a life insurance wealth replacement trust

In this scenario, you would benefit your charity with some property you own other than life insurance. You could name the charity beneficiary of your IRA or of a charitable trust you would create, or make a bequest in your will of other assets to charity. To assist your family, as a replacement of that property, you would purchase a life insurance policy, generally in an irrevocable life insurance trust.

For all that's ahead.®

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Must be accompanied by the "Understanding fixed index universal life insurance" consumer brochure (M-3959).

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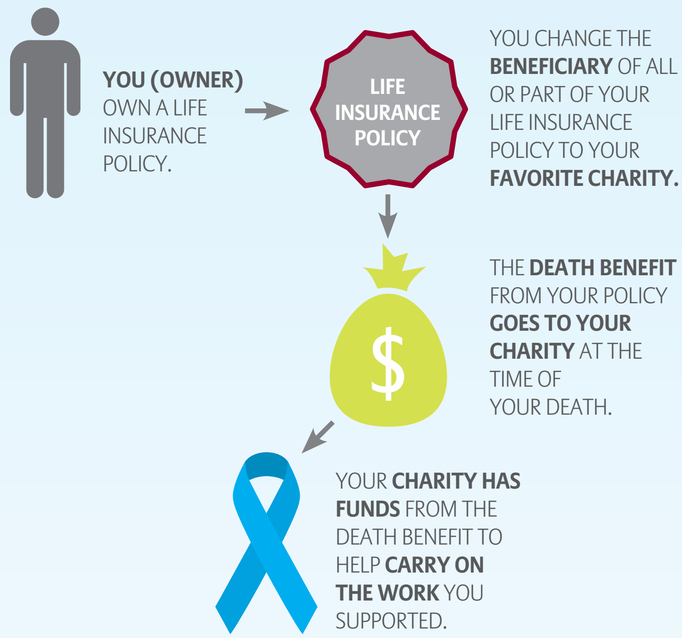
CHARITABLE GIVING STRATEGIES WITH

STRATEGY:

1 NAME A CHARITY AS A BENEFICIARY ON YOUR LIFE INSURANCE POLICY



All examples are for hypothetical illustrative purposes only.

Advantages to this strategy include:

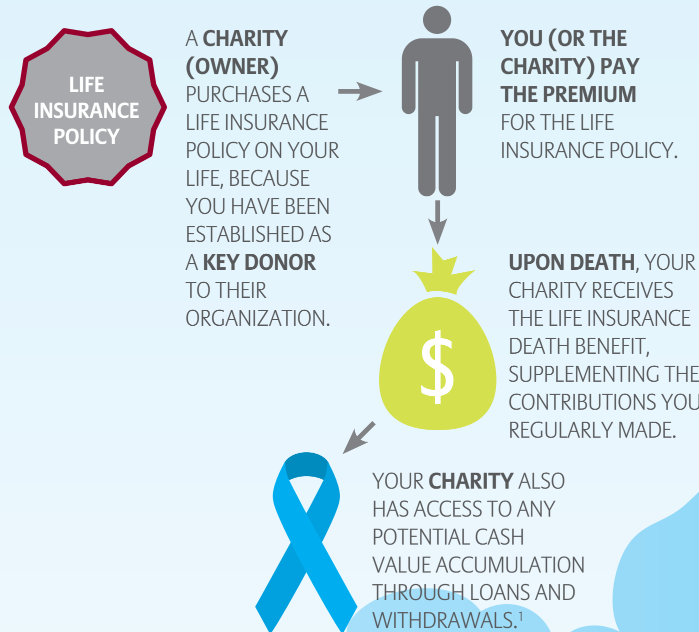
- It's simple, easy, and flexible.
- Allows you the ability to continue owning the policy and control any potential cash value accumulation, while leaving you the option to change the beneficiary again if so desired.

Disadvantages, however, include:

- You would receive no income tax deduction today and your family would no longer receive the entire death benefit.
- There is no additional tax benefit. The death benefit is generally income-tax-free to the beneficiary. Charity generally receives any gifts income-tax-free.
- The death benefit is in your taxable estate, but you should receive an estate tax deduction for the portion paid to the charity.
- Charity does not own the policy and has no rights to it or any potential cash value accumulation.

STRATEGY:

2 KEY DONOR LIFE INSURANCE



Advantages to this strategy include:

- It's fairly simple to provide your charity with a potentially large endowment of a death benefit.
- You could potentially receive an income tax deduction for your payment of the premium.

Disadvantages, however, include:

- The possibility of reducing your current contributions and, thus, reducing the current cash flow to the charity if you decide to reduce your other annual cash gifts.
- Most life insurance companies limit how much life insurance a charity can purchase on the life of a key donor. That death benefit limit is generally five to 10 times the annual gifts that the individual makes to the charity.
- The charity must have an insurable interest in your life, which is subject to state insured interest laws. Check with your local attorney on this.

[1] Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

LIFE INSURANCE

The following hypothetical examples demonstrate the advantages and disadvantages of leaving a death benefit for your favorite charity.

STRATEGY:

3 NAME A CHARITY AS YOUR IRA BENEFICIARY OR AS BENEFICIARY OF A CHARITABLE TRUST, OR AS A BEQUEST IN YOUR WILL, AND CREATE AN IRREVOCABLE LIFE INSURANCE TRUST (ILIT), WHICH IS A LIFE INSURANCE WEALTH REPLACEMENT TRUST.

YOU NAME YOUR CHARITY THE BENEFICIARY OF AN IRA OR CHARITABLE TRUST – OR YOU MAKE A BEQUEST IN YOUR WILL OF PROPERTY TO CHARITY.

UPON YOUR DEATH THE CHARITY RECEIVES EITHER YOUR IRA AS THE BENEFICIARY OR A PROPERTY IN THE CHARITABLE TRUST OR BEQUEST OF MONEY FROM YOUR WILL.

YOU BUY A LIFE INSURANCE POLICY AND NAME THE ILIT AS OWNER AND BENEFICIARY.

LIFE INSURANCE POLICY → IRREVOCABLE TRUST

THAT POLICY IS OWNED BY AN ILIT. YOU MAKE GIFTS TO THE TRUST TO PAY THE PREMIUM.

LIFE INSURANCE DEATH BENEFIT

UPON DEATH, THE LIFE INSURANCE DEATH BENEFIT COULD ACT AS **SUPPLEMENTAL INCOME FOR YOUR FAMILY** IN THE PLACE OF THE PROPERTY THAT WAS CONTRIBUTED TO YOUR CHARITY.

FAMILY

Advantages to this strategy include:

- Because the charity is tax-exempt, there is no income tax to the charity when it receives those assets from your IRA , your charitable trust, or from your will.
- When the IRA or other assets pass to a charity after your death, there is a charitable estate tax deduction under Internal Revenue Code Section 2055(a) if the charity qualifies.
- If established and administered properly, the life insurance death benefit paid to the ILIT should not be included in your taxable estate.

Disadvantages, however, include:

- The potentially complex nature of these strategies.
- The likelihood that you'll incur additional attorney's fees to establish these trusts.
- The gifts to the ILIT and, if applicable, to the charitable trust are subject to federal and possibly state gift taxes.

Life insurance serves many purposes and can play a valuable role in your charitable giving plans. Your attorney can discuss some of the more complex charitable giving strategies with you.

Please see your financial professional to determine how life insurance can play a part in your plans for a favorite charity.

A trust is a legal structure where one party holds property for the benefit of another party.

The owner is the person or organization that establishes the life insurance policy and has rights to name the beneficiary and all other policy rights.

A key donor is a charitable contributor whose financial gift is counted on to help continue facilitating charity services.

A beneficiary is the person(s)/organization(s) who receive distributions from a life insurance policy after the insured dies.

True to our promises … so you can be true to yours.®

A leading provider of annuities and life insurance, Allianz Life Insurance Company of North America (Allianz) bases each decision on a philosophy of being true: **True to our strength** as an important part of a leading global financial organization. **True to our passion** for making wise investment decisions. And **true to the people we serve**, each and every day.

Through a line of innovative products and a network of trusted financial professionals, and with over 3.6 million contracts issued, Allianz helps people as they seek to achieve their financial and retirement goals. Founded in 1896, Allianz is proud to play a vital role in the success of our global parent, Allianz SE, one of the world's largest financial services companies.

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