Life Insurance Policies

It is possible to make a gift of an existing life insurance policy by transferring all rights of ownership to Garrett-Evangelical Theological Seminary. This gift may yield a substantial deduction for income tax purposes. The deduction is equal to the policy's replacement value or the donor's basis in the policy, whichever is less. If premiums remain to be paid on the policy and the donor chooses to make those payments, a current income tax deduction is allowed for each payment.

When the seminary receives an existing life insurance policy, it has the option of retaining the policy until the death of the donor, continuing to pay any remaining premiums on the policy, terminating the policy and taking the current cash surrender value, or taking out a loan against the policy and repaying that loan at the time of the death of the donor.

Gifting an existing life insurance policy works well if

- the original purposes for which the insurance was secured (e.g. mortgage protection, insuring tuition payments, etc.) are no longer relevant
- the policy has been paid up, or the donor can continue making premium payments (for charitable deductions)
- there is a high cost basis or replacement value for the policy
- the donor needs a charitable deduction for current income tax purposes

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The information contained in this guide is intended for informational purposes only and is not intended to be legal or tax advice. In the case of most non-cash, tax-advantaged gifts (outright or future) to the seminary, donors are encouraged to consult with their own financial advisors as they review materials and proposals which seminary staff and/or volunteers have prepared for their consideration.