

Gift annuity with life insurance is a two step transaction. First, the charity provides a proposal on the income generated by a gift annuity agreement. The charity provides figures showing the gross payment and the net payment after taxes. Second, the donor contracts for life insurance coverage in a face amount of their choice. It is suggested the life insurance coverage be in an amount where the after tax payment generated by the gift annuity will cover the cost of the life insurance.

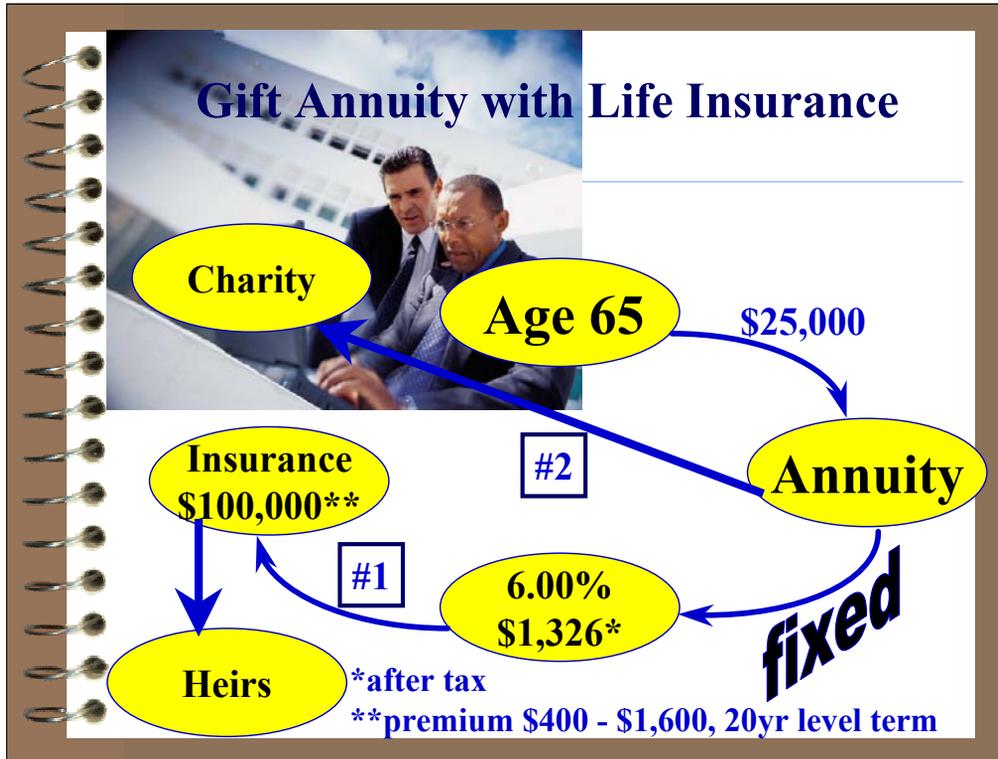
The ultimate proceeds of the gift annuity remain with the charity as a gift upon the death of the donor.

The proceeds from the life insurance are payable to the donor's family.

Because of the current low cost per \$1,000 of coverage of life insurance and the competitive after tax return from the gift annuity agreement it should be possible for the donor to obtain a leverage factor of \$1/\$1.50 or more. Thus, with a gift agreement of \$25,000 the family will receive \$37,500 or more.

Life insurance coverage depends upon the nature of the policy, the amount of coverage and the health of the insured individual.

## Gift Annuity with Life Insurance



This is an example of the economics of a \$25,000 gift annuity agreement for a 65 year old single life agreement showing the after tax payment and the potential cost of a 20 year level term life insurance policy from an internet search of available products.

## Life insurance purchased with after tax gift annuity payment

### \$25,000 Gift Annuity

| <u>Age</u> | <u>After tax*</u> |
|------------|-------------------|
| 55         | \$1,190           |
| 60         | \$1,246           |
| 65         | \$1,326           |
| 70         | \$1,456           |
| 75         | \$1,611           |

\* July 1, 2003 ACGA rates

Internet search for  
\$100,000 male or female  
level term insurance in  
good health with no  
history of tobacco use  
produced premiums  
ranging from \$400 per  
year to \$1,600 per year.  
Life insurance coverage  
should be selected  
carefully to produce  
maximum family  
benefits.

The after tax return from a charitable gift annuity varies with age. The return increases with age as does the cost of life insurance. The life insurance cost also varies with the type of product selected and the length of the term for the product.

## Life insurance purchased with after tax gift annuity payment

| <b>\$25,000 Gift Annuity</b> |                   | <b>Universal Life Insurance<br/>Permanent Amount</b> |               |
|------------------------------|-------------------|--|---------------|
| <u>Age</u>                   | <u>After tax*</u> | <u>Male</u>  | <u>Female</u> |
| 55                           | \$1,190           | \$86,606   | \$112,260     |
| 60                           | \$1,246           | \$65,376   | \$83,457      |
| 65                           | \$1,326           | \$57,687   | \$75,656      |
| 70                           | \$1,456           | \$50,000   | \$63,404      |
| 75                           | \$1,611           | \$32,778   | \$52,315      |

\* July 1, 2003 ACGA rates

This slides shows the after tax return return for various ages and the face value of the permanent life insurance that can be purchased with the after tax return for both males and females.