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

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.

2. Key donor life insurance

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. Alternatively, the charity may wish to pay the policy premiums.

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.

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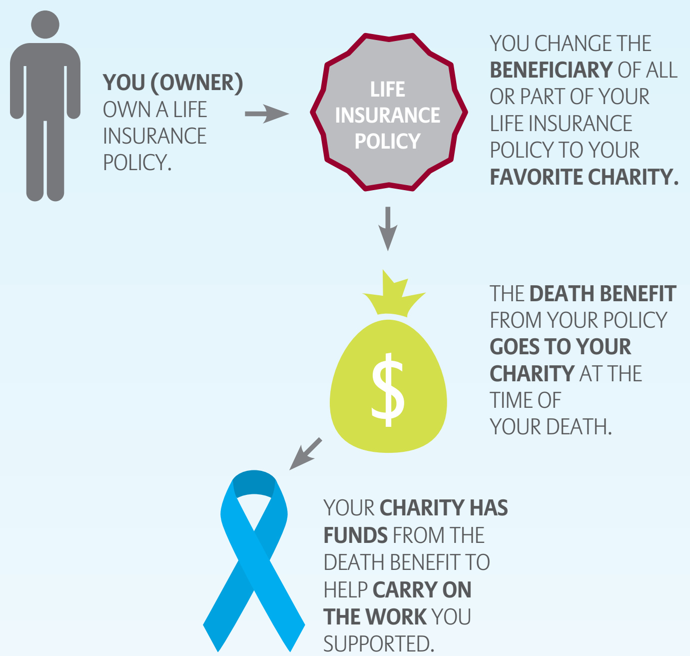
CHARITABLE GIVING STRATEGIES WITH

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:

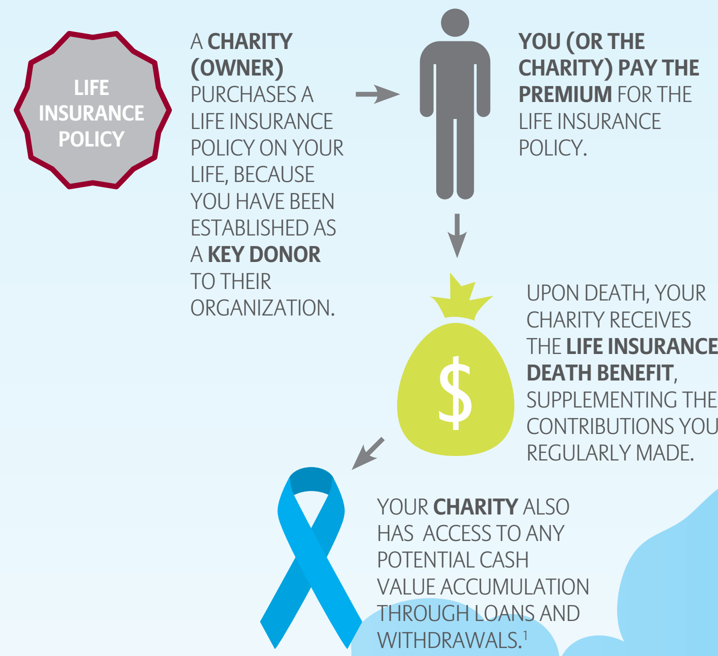
- It's simple, easy, and flexible.
- Allows you the ability to continue owning the policy and control any potential cash value accumulation, while leaving you the option to change the beneficiary again if so desired.

Disadvantages, however, include:

- You would receive no income tax deduction today and your family would no longer receive the entire death benefit.
- 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.

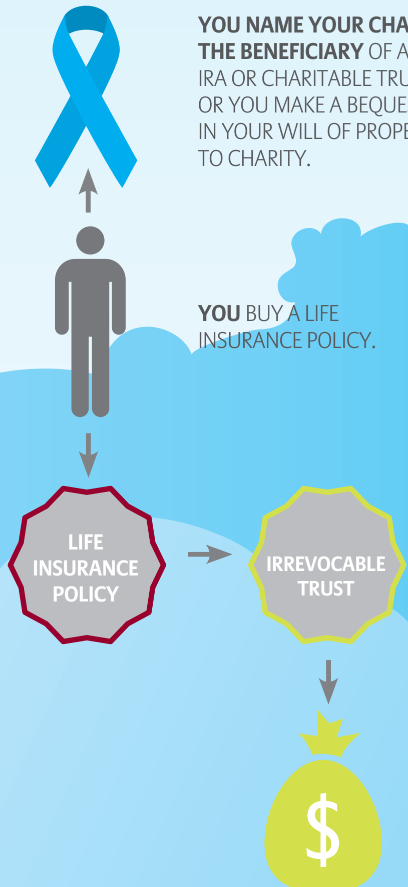
[1] Policy loans and withdrawals will reduce available cash values and death benefits and may cause the policy to lapse, or affect any guarantees against lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income taxes. Most charities are tax-exempt, however.

LIFE INSURANCE

The following hypothetical examples demonstrate the advantages 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, AND CREATE 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.

YOU BUY A LIFE INSURANCE POLICY.

THAT POLICY GENERALLY GOES INTO AN **IRREVOCABLE LIFE INSURANCE TRUST**.

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.

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 you.
- When the IRA or other assets pass to a charity after your death, there is a charitable deduction under Internal Revenue Code Section 2055(a) if the charity qualifies.

Disadvantages, however, include:

- The potentially complex nature of these strategies.
- The likelihood that you'll incur additional attorney's fees to establish these trusts.

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.

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

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so you can be true to yours.®

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