

LEVERAGING AN ANNUITY WITH LIFE INSURANCE

If you own an annuity that has increased in value, there's a tax-efficient solution to use annuity payments to purchase two life insurance contracts—one for your family and one for charities you care about through a donor advised fund at InFaith Community Foundation.

Upon death, the value of your annuity could be significantly reduced by taxes. For example, deferred annuities are typically subject to additional taxation called "income in respect of a decedent" when transferred to heirs. These additional taxes can reduce the annuity's value by as much as a 40%. By using the annuity payments to purchase life insurance, you can achieve your financial goals of providing for family and charities while limiting your exposure to taxes.

IS THIS SOLUTION RIGHT FOR YOU?

The first step is to review your current financial needs and goals. Questions to consider and review with your financial and legal advisors include:

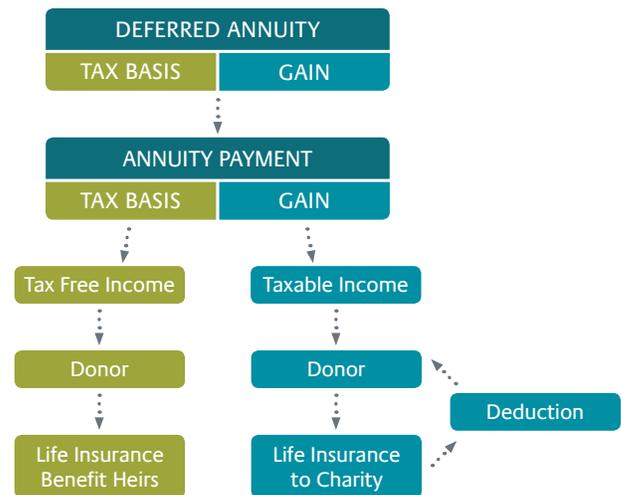
- Do you want to reduce your future tax burden?
- Do you have coverage in place to cover your basic financial needs?
- Do you have assets you will not need for income?
- Do you want to preserve assets for heirs?
- Do you own an annuity that will generate taxable annual income and exceeds your standard income tax deduction?
- Do you have charitable goals you want to accomplish?

If you answered yes to these questions, you might benefit from converting your annuity to life insurance.

HOW IT WORKS

This solution takes an annuity that has appreciated in value and leverages it through the purchase two new life insurance contracts—one for the benefit of heirs and the other to benefit favorite charities through a donor advised fund at InFaith. Here's how it works:

1. Annuitize your annuity over a fixed period of years.
2. Use the tax-free portion of annuity payments to purchase a life insurance contract that provides a tax-free benefit to your heirs.
3. Use the taxable portion of annuity payments to purchase a life insurance contract that supports your favorite charities and is owned by InFaith. The premium payments provide a charitable tax deduction, which may offset the tax implications related to the annuity payments.



*40% is the hypothetical estimate of federal and state income taxes; actual tax rates will vary. Income tax in respect of a decedent refers to the amounts that a decedent would have been entitled to as gross income, but which were not included in the decedent's taxable income for the year of death.

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BENEFITS OF GIVING LIFE INSURANCE FOR CHARITABLE PURPOSES

It provides maximum support to your favorite charities. Proceeds from the life insurance contract owned by InFaith are paid promptly to InFaith and directed to your donor advised fund to provide charitable support. You can remain anonymous to one or more of the benefiting charities, if that's your wish.

It's economical. Life insurance allows people to give more than might otherwise be possible. If the life insurance contract is owned by a charity, like InFaith, premium payments are tax deductible for those who itemize tax deductions. This makes the gift even more affordable.

It's flexible. Through InFaith you can support multiple charities through one life insurance contract. If you ever wish to change charities, simply contact InFaith.

DONOR STORY

The Donor. A woman wanted to use her annuity that had increased substantially in value to provide for her adult son and favorite charities upon her death. After consulting her financial advisor and learning the tax implications, she sought alternative solutions and annuitized the annuity over a 10-year period.

Her Gift. The donor purchased a life insurance contract on her life using the tax-free portion of the annuity payment to pay premiums. Her son, who is named beneficiary of the contract, will receive proceeds tax free upon the donor's death. The taxable portion of the annuity payment pays premiums on a charitable life insurance contract that is owned by InFaith. These insurance premiums are 100% tax deductible, offsetting the tax implications of the annuity payments. The combined value of these contracts exceeds the appreciated value of the annuity. Upon the donor's death, proceeds from the charitable life insurance will go to her donor advised fund to benefit her favorite charities over time.

FOR MORE INFORMATION

Consult with your financial and legal advisors regarding the viability of using your annuity to purchase life insurance, and the appropriateness for your circumstances. For more information, call InFaith Community Foundation at 800.365.4172 or visit inFaithFound.org.

Donors must itemize deductions to receive a charitable income tax deduction.

Charitable giving can result in significant tax, legal and financial consequences. InFaith Community Foundation does not provide accounting or tax advice. Consult with your attorney or tax professional. According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), be advised that distributions from the endowment fund may include principal as well as earnings from time to time.

To ensure compliance with IRS requirements, be aware that any U.S. federal tax advice that may be contained in this document is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing and recommending to another party any transaction or matter addressed herein.



Spreading Joy. Changing Lives.®

InFaith Community Foundation is a national charity with a mission to serve donors, spread joy and change lives. Through InFaith, giving is customized to each donor's charitable interests and financial circumstances. InFaith is a proven steward of these gifts, earning consistently high ratings from Charity Navigator and GuideStar for sound fiscal management, transparency and commitment to excellence. Together with donors, InFaith grants millions of dollars annually to charities serving local, national and global communities. To learn more, visit inFaithFound.org.

WE OFFER

- Donor advised funds, collaborative funds and organizational endowments
- Full range of giving options, from simple to complex
- Flexibility to give to any charity
- Maximum tax benefits based on when and how charitable gifts are made
- Donor-centered services including online access and family and women's giving resources
- Mission-based investment options for charitable assets

