

Leveraging a non-qualified annuity with life insurance

If you own a non-qualified annuity that has increased in value, there's a tax-efficient way you can use annuity payments: Purchase two life insurance contracts. One is a traditional life insurance contract that benefits your family. The other is a contract donated to a donor-advised fund at Thrivent Charitable Impact & Investing™ (Thrivent Charitable) that benefits charities you care about.



Upon death, the value of your annuity could be significantly reduced by taxes. For example, when transferred to heirs, deferred annuities are typically subject to additional taxation, called “income in respect of a decedent.” These additional taxes can reduce the annuity’s value by as much as 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?

To determine if this is a good solution for you, review your current financial needs and priorities with your financial and legal advisors. Consider the following:

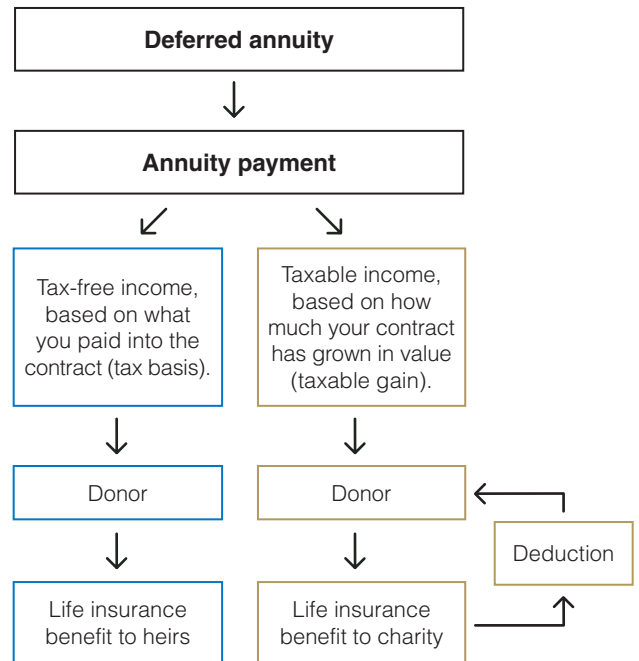
- Do you have coverage in place for your basic financial needs?
- Do you have assets you won’t need for income?
- Do you want to preserve assets for heirs?
- Do you own an annuity that will generate taxable annual income and exceeds your standard income tax deduction?
- Do you want to reduce your future tax burden?
- 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 a non-qualified annuity that has appreciated in value and leverages it through the purchase of two new life insurance contracts—one to benefit heirs and the other to benefit favorite charities through a donor-advised fund at Thrivent Charitable. 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 Thrivent Charitable. 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 with respect to 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.

Benefits of giving life insurance for charitable purposes

It provides maximum support to your favorite charities. Proceeds from the life insurance contract owned by Thrivent Charitable are paid promptly to Thrivent Charitable 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 Thrivent Charitable, premium payments are tax deductible for those who itemize tax deductions. This makes the gift even more affordable.

It's flexible. You can support multiple charities through one life insurance contract, and if you ever want to change charities, simply contact Thrivent Charitable.

Donor story

The donor. A woman wanted to use an annuity that had increased substantially in value to provide for her adult son and favorite charities upon her death. After consulting her financial professional and learning the tax implications, she decided to annuitize the annuity over a 10-year period.

Her gift. She purchased a life insurance contract 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 her death. The taxable portion of the annuity payment pays premiums on a charitable life insurance contract that's owned by Thrivent Charitable. 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 her death, proceeds from the charitable life insurance contract will go to her donor-advised fund to benefit her favorite charities over time.



About us

We believe humanity thrives when people make the most of all they've been given. Thrivent Charitable Impact & Investing helps people do just that—bring their generosity to life so that they can support the organizations and causes closest to their hearts, now and into the future. Grounded in our purpose to serve, we take a holistic, personalized approach to help our donors create strategic charitable plans and give in a way that best reflects their values and financial priorities. Together, we are committed to creating positive impact and inspiring lasting change in our communities.

Are you ready to make the most of your giving?

We can help you set up a charitable fund. Contact your Thrivent financial professional, visit thriventcharitable.com or call 800-365-4172.



Thrivent Charitable Impact & Investing™, a separate legal entity from Thrivent, the marketing name for Thrivent Financial for Lutherans, is a public charity that serves individuals, organizations and the community through charitable planning, donor-advised funds and endowments. Thrivent Charitable Impact & Investing works collaboratively with Thrivent and its financial professionals.

Charitable giving can result in significant tax, legal and financial consequences. Thrivent does not provide accounting or tax advice. Consult with your attorney or tax professional.

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