



EQUITABLE

Charitable Legacy Rider®

Frequently asked questions

Your client's decision to create a charitable legacy is easier with Equitable's Charitable Legacy Rider® (CLR).

The purchase of a life insurance policy that offers the CLR with a policy face amount of \$1,000,000 or more triggers an additional and separate charitable benefit of 1% of the policy face amount, up to a maximum of \$100,000 — at no additional cost to your clients.

The Charitable Legacy Rider® is currently available with:

BrightLife® Grow

VUL Optimizer®

**VUL Incentive Life
Protect®**

Below are some questions clients, financial professionals, accountants, charities and trustees have raised about this special rider.

Questions from clients

How do I elect the rider?

For cases that qualify for the CLR, the proposed owner must submit Part 1 of the life application. All charitable beneficiary information must also be provided, including the name of the charitable organization, address, tax identification number and percentage allocation of the charitable benefit.

After issue of the policy, can I change the charitable beneficiary?

Yes, the charity to benefit from the CLR can be changed any time after issue of the policy until the death of the insured.

Can I name more than one qualified charity as the beneficiary of the CLR?

Yes, up to two charities can be listed as beneficiaries of the CLR.

How can I tell if a charitable organization is qualified to receive the CLR?

The charity should know and will have a letter from the IRS. A list of all eligible organizations is found in IRS Publication 78, *Cumulative List of Organizations*, described in Section 170(c) of the Internal Revenue Code of 1986, and online at [irs.gov/app/pub-78/](https://www.irs.gov/app/pub-78/).

If I purchase more than one life insurance policy and each policy qualifies for the CLR, will the 1% CLR benefit be available for each policy even if the combined amount exceeds the \$100,000 maximum amount?

Yes, if multiple policies are purchased with different policy beneficiaries, the CLR maximum will apply to each policy rather than being limited to \$100,000 on the insured life.

What happens if, after the death of the insured, the charitable organization is no longer in existence and accredited under IRC 501(c) and 170(c)?

The policyowner (or if the owner is the insured, then their estate representative) can name a new, qualified charitable beneficiary.

Questions from financial professionals

If an employee of a charity purchases an Equitable policy on their life and names their charity employer as the beneficiary of the CLR, could the EOLI rules apply?

Whether the EOLI rules under IRS 101(j) apply to charities as employers is uncertain. In any event, unless the employer is the policyowner, the EOLI rules should not be triggered.

If a charity purchases an Equitable policy with the CLR and the charity owner is selected to benefit from the rider, will the EOLI rules apply?

Whether the EOLI rules under IRS 101(j) apply to life policies owned by charities is uncertain. If a charity purchases a policy on the life of an employee, it may be best to assume EOLI rules apply and follow Equitable's suggested EOLI compliance procedure. There is nothing to suggest the rider death benefit would be treated differently than the base policy death benefit.

If the rider is not selected at issue, can we add the rider later?

No. The CLR cannot be added on at a later time. The CLR must be selected when the policy is issued.

Questions from accountants

Assume that spouse Jane purchases a \$10,000,000 Equitable policy on spouse Joe and includes the CLR. Jane remains as the policyowner and beneficiary. After the death of Joe, an amount equal to 1% of the face amount, or \$100,000, is paid to the charity Jane selected under the CLR.

Income tax issue

In the above case, is the surviving spouse entitled to an income tax deduction for a charitable gift? (This same issue applies to other third-party owners.)

Third-party policy owners should consult their tax advisors as to their specific situation on whether the benefit payment may be able to qualify as eligible for an income tax charitable deduction. For non-individual owners, including trusts and corporations, owners should consult their tax and legal advisors as to the specific appropriateness or consequences of electing the rider and providing for charitable beneficiary.

Estate tax issue

Is the \$100,000 included in the estate of the insured?

If an incident of ownership is deemed to exist, the amount payable to a charity under the rider would be included in the estate of the deceased policyowner.

If the rider amount were to be included in the estate, is there an offsetting charitable deduction available to the estate?

An offsetting charitable deduction should be available as well. The net result would be no additional estate taxes attributed to the CLR benefit paid to the charity.

For the purposes of federal estate taxes, does it make any difference if the rider amount is included in the taxable estate?

Whether the CLR death proceeds would be included in the estate of an insured owner or not, the net tax result would be the same. The result would be the same if it were deemed that the benefit amount was not includable in the policyowner's estate.

Questions from charities

If a charity purchases an insurance policy and the policy qualifies for the CLR, can the charity execute the CLR for its own benefit?

The owner of an Equitable life insurance policy that contains the CLR can execute the rider for any qualified charity. If the policy is issued with a charity as owner, the charity could name itself as beneficiary of the 1% benefit provided by the rider along with the base policy.

Can the employee of a qualified charity select their employer charity as the beneficiary of the rider?

Yes, if an employee of a qualified charity purchases an Equitable life insurance policy that qualifies for the CLR, their charity employer can be designated as the beneficiary of the CLR.

If a charity purchases a life insurance policy on the life of an employee with the intention of paying the death benefit to the employee's family, could the charity pay the CLR death benefit amount to the employee's family as well?

The beneficiary of a life insurance policy can use the base policy death proceeds in any manner and for any purpose they desire. Although the purpose of the CLR is to directly benefit charities, a charity receiving the benefit under the CLR can use those proceeds as it sees fit while in compliance with the organization's charter.

Questions from trustees

For a trust to execute the CLR, must the trustee have authority to make a charitable donation or designation?

If the CLR is available on an entity- or trust-owned Equitable life insurance policy, Equitable will assume the proposed owner, being an authorized representative or trustee, is acting within the scope of their authority when designating a charitable beneficiary of the CLR. We will not review trusts or corporate minutes in order to determine whether the proposed owner has such authority.

What suggestions might you have if a trust document does not provide specific authority to make charitable designations, and the trustee does not feel the general provisions cover this action?

The parties should consult with their legal advisors for guidance. The authority may be specific or be provided under general authority provisions of existing documents. One practical approach would be for the trustee to allow the trust beneficiaries to identify the charity they would select to receive the CLR benefit.

For more information, please contact the Life Insurance Sales Desk or visit equitableLIFT.com.

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