



## INCREASE EARNINGS

## MAXIMIZE PHILANTHROPY

### Philanthropic Engagement: The Legacy Life Executive Benefit®

Today the best banks have learned to balance the needs of shareholders, the environment, and their community where they do business and their employees live. Philanthropy is a key to unlocking success for the community bank in the new millennium. Emphasis on paying it forward or giving back occurs in our daily conversation. As a reflection of corporate and community citizenship, Legatus Memoria® models the highest standard of transparency and genuine commitment to meaningful philanthropic engagement consistent with the established vision, mission, purpose, and bylaws of your bank. Increase your earnings while connecting with your community.

#### The Gift of BOLI

Many successful banks have utilized Bank Owned Life Insurance (BOLI) to informally finance executive benefit plans. Did you know that BOLI can be used for Bank Community Engagement? The Legacy Life Executive Benefit® provides key executives with the ability to self-direct a predetermined amount of charitable contributions by the bank, on their behalf, to a charity of their choice. Additionally, the bank can make tax deductible contributions to foundations, non-profits, and other related charities within the communities where they have employees and do business. Feel good while earning higher yields.

#### How it Works:

This is a “hero benefit” where the bank looks good in the eyes of their executives and community. The Legacy Life Executive Benefit® is designed to create a non-qualified benefit for top executives to honor charities in their community. A bank, within OCC guidelines, can acquire BOLI allowing earnings to be tax deferred and ultimately tax-free at death while often achieving much better yields than current alternatives.

The excess death benefit, usually one to two times more than the initial lump sum premium, can be structured to give to charity upon the death of the executive whether it is during employment or more likely in retirement. These excess proceeds are received tax free at the death of the executive by the bank but receive a tax deduction when given to a 501(c)(3) non-profit. Until then the BOLI yields are received tax free.

In other words, a bank can give away money that was not worked for or earned, as it was received free of tax at the death of the executive, but still receive a tax refund from the IRS for the gift. The excess amount does decrease over time the closer the executive lives to age 100.

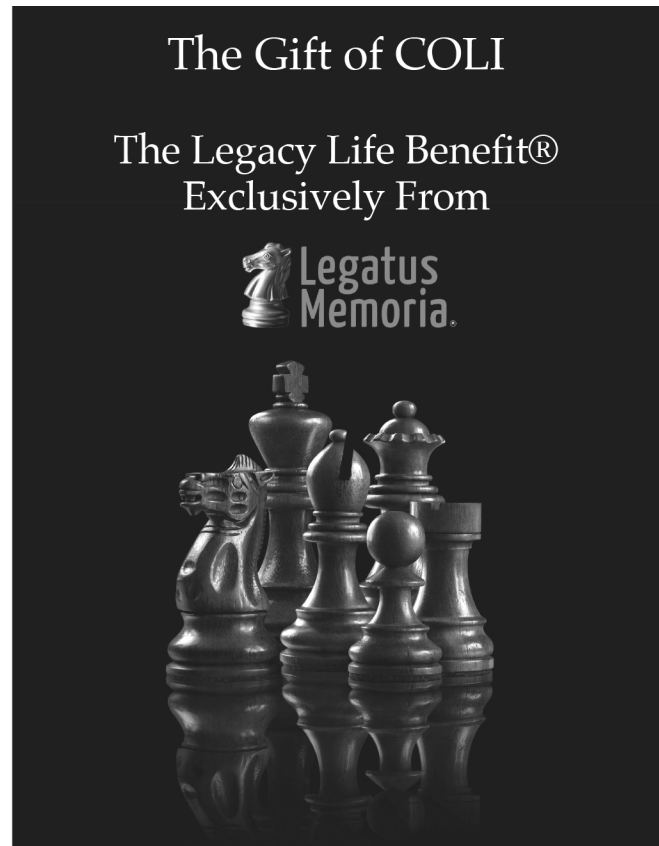
Philanthropy is best when it is intentional. Many banks and other corporations are starting foundations

to distribute funds in the communities where they do business. Philanthropy is a cultural issue for banks. By directly involving your key executives in choosing charities from your community, it builds the core value of giving into the fabric of your bank and makes everyone feel good about the positive impact they will make on their community charities. Funding foundations and charities up to 60% of the amount that is deposited into BOLI, can be achieved all at little or no cost to shareholders. In other words, a \$5M BOLI acquisition could double the bank's earnings compared to the same investment into munis or corporate debt while giving \$3M to charity over the lifetimes of key executives.

### **Boli Now Has Better Long-Term Yields**

The Covid Recovery Act signed by President Trump in December 2020, impacted IRC Section 7702 that determines rules for life insurance, allowing for enhancements to BOLI yields. More cash accumulation and less death benefits, increases the yield by an average of 15 bps over the life of the policy when compared to BOLI issued prior to 2021.

The Covid-19 Pandemic has had a major impact on charitable giving. Banks have performed well the past twelve months with PPP loans and record low interest for mortgage refinancing. Now is the time to consider a purposeful philanthropic program that can help your local community charities in future crises all while increasing earnings to the bank's bottom line. Give us a call to learn how we can help with this new Non-Qualified Philanthropic benefit, The Legacy Life Executive Benefit®.



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