



# CenterPoint

*Gift Planning Ideas to Benefit Family & Friends*

October 2005

## Life Begins at 80

*by John G. Watts*



Somebody once commented that the first 80 years of our life are the most difficult and the second 80 are just a series of birthday parties. There *does* seem to be something about reaching four score years... people seem to forgive you anything.

At 89, Dr. Reed had reached a contemplative point in his life. Like many his age, he was thinking of his mortality. In a moment of solitude, sitting in front of the warm crackling fire on a cold winter evening, Dr. Reed thought back over his 60-year marriage. That marriage had ended just a few months prior with the untimely passing of his dear wife, Edna, as a result of cancer.

His life had great meaning. His family had always been close. And while his 80s were indeed a series of festive birthday celebrations, he felt more alone now than ever. While his estate settlement was well in order, there were personal mementos to be disposed of that held great meaning and memories of the past. There were tangible items of recognition - the medical school plaques, medals from military service and commemorative recognition certificates for continued community service.

Now was the time, he thought, to share each of these with the younger generations who might feel endeared to him as a father and a grandfather for many years to come. So he took the opportunity to carefully orchestrate the distribution of these personal gifts. They represented cherished memories for him and a forever link to those loved ones he would one day leave behind.

As a final gesture, Dr. Reed left monetary benefits for each of his five grandchildren. He established a series of gift annuities with the Cancer Center. These annuities would provide an income for him to pass on to his grandchildren through age 25, so that their educational future was secured. Each annuity was staggered to last from four through fifteen years and funded with \$50,000 yielding a 10.6% payout. The income earnings were based on his age and life expectancy.

In the event Dr. Reed predeceased the last grandchild to receive an income, his will had a provision to compensate those short changed by his passing. It was his wish to benefit cancer research, the dreadful disease that had taken his wife from him, yet bring meaningful monetary benefits to assist his grandchildren in completing their college educations. Now that he was well past 80, life did indeed taken on a new meaning.

If you would like additional information, feel free to request a copy of *Giving Through Life Income Plans*. If I can personally answer any questions, please call me at (805) 692-6935.

# Make Your Gifts in the Best Ways



## Tax Planning Pointers

- Funds contributed to qualified charities are not generally subject to federal income taxes.
- When you itemize deductions, cash gifts of up to 50% of your adjusted gross income (AGI) may be deducted.
- Gifts of appreciated securities and certain other assets may be deducted at full value in amounts up to 30% of your AGI.
- Excess deductions can be used to reduce taxes in up to five future tax years.
- Property owned for more than one year may qualify for maximum tax benefits from charitable donations.

If you are planning to make charitable gifts between now and December 31, you may benefit from paying special attention to both the timing of your gifts and the property you choose to give.

### *What to give?*

Contributions of cash and by check are the most popular means of making charitable gifts. When making gifts of cash, it is possible for those who itemize their deductions to eliminate tax on up to 50% of their adjusted gross income (AGI). Gifts in excess of this amount may be used to reduce taxes in up to five additional tax years.

While other tax-deductible amounts such as mortgage interest, taxes, and medical expenses are largely fixed, the amount and timing of your charitable gifts are totally within your control - giving you more flexibility when planning to minimize your tax liability for 2005.

### *Give "paper profits"*

If you normally make gifts of cash, you may want to consider the additional benefits of giving other property.

For example, Paul and Barbara normally make their gifts in the form of cash. After speaking with their tax advisor, however, they decide to fund their gifts this year using stock that has increased in value.

By donating the stock, they are allowed a tax deduction for its full value including their "paper profits." In addition, they will not be subject to capital gains tax that would be due if the stock were sold.

### *Save taxes and diversify investments*

Ron owns securities that have grown in value since he purchased them. They yield no income and he thinks that they may have peaked in value, but he is reluctant to sell them because of the capital gains tax he would owe.

He instead uses these securities to fund his charitable gifts this year. In doing so, Ron enjoys an income tax deduction for the full value of the donated assets while avoiding any tax on their increased value.

Ron then uses cash he would otherwise have contributed to purchase investments he believes may grow in value in the future and also yield current income. As a result, Ron has diversified his holdings while he enjoys a new, higher cost basis. If his new investments increase in value, he will have less gain to report on future sales. If their value decreases, he may be able to deduct his loss for tax purposes.

### *Benefit from losses*

If you own securities that are worth less than you paid for them and you doubt they will soon regain their value, consider selling them and giving the cash proceeds.

You are then entitled to a deduction for the amount of your cash gift while there is also a reportable loss for tax purposes. This may result in tax deductions that total more than the current value of the investment.

# Timing Gifts for Greatest Savings

No matter how you choose to make your gifts, it is important to take steps to assure your gifts are completed in time to provide full benefits for you and your charitable interests in 2005.

## *Gifts of cash or checks*

Make sure your gift is personally delivered or mailed in an envelope postmarked no later than December 31.

## *Gifts of securities*

If you own securities and have the certificates in your possession, send a signed stock power and the unendorsed stock certificate in separate envelopes.

Your gift is complete on the date of the later postmark if the envelopes are not postmarked on the same day. For other securities or mutual funds, consult us and your financial services provider for specific instructions.

## *Gifts from retirement accounts*

For those age 59½ and older, retirement accounts can be a convenient “pocket” from which to make charitable gifts. Recent and proposed tax legislation may make such gifts even more attractive. Check with us or your tax advisor for more information.

## Planning for the Future

The end of the year may also be a good time to review your long-term plans, with special attention paid to how they may include a “gift of a lifetime.”

Charitable gifts can be made from your will or from arrangements you may already have in place, or you may choose to use special charitable giving tools that feature current tax savings, increased income and other benefits.

## *Gifts from existing plans*

You can provide for charitable interests in one or more of the following ways:

- Through your will or living trust. There is no limit to the amount that can be given in this way free of federal estate and gift taxes.
- As beneficiary of all or a portion of the remainder of retirement plans accounts. This can help avoid possible double taxation of those funds.
- To share in the proceeds of life insurance policies no longer needed for their original purpose.

## *Gifts from special plans*

Charitable trusts and other plans can enable you to make gifts today while generating income for yourself and/or your loved ones. You may also benefit from professional asset management, capital gains, and other tax savings. Check with us or your advisors for more information about these opportunities.



## *Caught in the AMT Trap?*

A growing number of taxpayers have been surprised to learn that they owe additional taxes due to the Alternative Minimum Tax (AMT). While many deductions and adjustments are ignored or added back for AMT purposes, charitable gifts remain deductible for both the regular and alternative minimum tax.



### Legacy Circle

The Legacy Circle recognizes and honors donors who have included the Cancer Center of Santa Barbara in their estate plans through planned gifts. Membership in the society is conferred upon those who have communicated to the Center their intention to make a gift through their will, living trust or other planned gift agreement. Please let us know if you have already remembered the Cancer Center in your plans so we can say "thank you".

*partial listing*

Mr. & Mrs. Dean Brown  
Ms. Helen J. Brown  
Mr. & Mrs. Ronald Green  
Ms. Yvonne Baker Heltman  
Mrs. Gregorio Kogan  
Mr. Otto Korntheuer  
Ms. Mary Ann Kriebel  
Mr. & Mrs. Thomas N. Lewis  
Mrs. Jane Merovick  
Mr. & Mrs. Joseph G. Noh\*  
Mr. Austin H. Peck, Jr.  
Mr. & Mrs. Ed Rosenblatt  
Mr. & Mrs. William Samson\*  
Mr. & Mrs. Daniel Sattler\*  
Mr. Rick Scott  
Mr. & Mrs. Peter G. Simeth  
Judge & Mrs. C. Douglas Smith\*  
Mr. Charles A. Storke\*  
Mr. Otis Williams\*

*\* deceased*

**Cancer Center of Santa Barbara**  
**300 West Pueblo Street**  
**Santa Barbara, CA 93105**

# Choose How Your Gift Will Benefit the Cancer Center

One of the unique things about the Cancer Center is the variety of programs and services that are offered to cancer patients - clinical research opportunities, wellness classes and social services programs. In addition, for more than half a century, the Cancer Center has implemented a charitable care policy that has allowed us to extend our outstanding services to every patient in need - regardless of ability to pay. *All* of our patients and their families receive the same exceptional care, in keeping with our reputation as one of the finest treatment centers on the west coast.

For the past sixteen years, the Cancer Center's Research Department has worked in our medical community to make clinical trials available to both adult and pediatric cancer patients. The research trials that are open to cancer patients in our community vary by diagnosis, but their availability makes it possible for our community members to access clinical trials without having to travel outside the local area.

Established in 1999, our Wellness Program is an innovative offering that responds directly to the growing number of cancer patients who seek a more coordinated approach to their healthcare needs. Linking complementary medical approaches (i.e. yoga, tai chi, nutrition, exercise, etc.) with an established, traditional oncology practice, our Wellness Program addresses both the physical and emotional aspects of the disease.

The Cancer Center also strives to provide support that is needed to fight and conquer a cancer diagnosis. Patient Care Coordinators make every effort to ease this very difficult time, both practically and emotionally, for patients and their families by providing assistance with counseling; transportation; respite care; childcare; and direct financial assistance.



**Arthur Merovick**  
*Director of  
Development*



**Rick Scott**  
*President,  
Cancer Center*



**John Watts**  
*Gift Planning  
Specialist*