

PLACE
STAMP
HERE

AMC/NOMA
6000 Rockside Woods Blvd., #150
Cleveland, Ohio 44131

(continued from inside)

Annuity Trusts. The charitable remainder annuity trust shares many features in common with the unitrust. But the major difference is that the annuity trust provides for a fixed payout. This amount must equal a specified amount of not less than 5% of the initial fair-market value of the gift in trust.

Example: If an annuity trust has a 6% payout and its initial fair-market value of the trust is \$100,000, the payment for the first year will be \$6,000. If the value of the trust assets increases to \$120,000 in the second year, the payment will still be \$6,000. The fixed-payout feature of the annuity trust may make it particularly suitable for a beneficiary who needs the security of a specific amount of income.

Establishing A Trust. When creating a testamentary charitable remainder trust, you must specify in your will:

- the amount of property to be placed in the trust
- the type of vehicle to be used
- the term of the trust (a period of years or the lifetime of the beneficiary)
- the payments to be made and their frequency
- the beneficiary of the trust and
- the provisions for the eventual distribution of the principal.

Estate-Tax Charitable Deduction. If you establish a testamentary charitable remainder trust, your estate will be entitled to a charitable deduction equal to the present value-as of the date of death-of the remainder interest that will pass to the charity. In addition, if your surviving spouse is the only noncharitable beneficiary of the trust, your estate will also be allowed a *marital deduction* for the value of the spouse's payment interest.

Example: Mr. M has a taxable estate valued at \$1,500,000. His will directs that \$200,000 be placed in a charitable remainder unitrust with AMEF, which will pay his wife 6% of the annual value of the trust. Upon Mrs. M's death, the trust principal will pass to AMEF.

As a result of this arrangement, Mr. M's estate will be allowed an estate-tax marital deduction for the value of Mrs. M's payment interest and a charitable deduction for the value of the remainder interest. At Mrs. M's death, the full value of the unitrust will pass to The Academy of Medicine, free of federal estate tax.

It Begins with Your Will

As you have read you can make a significant gift to AMEF without jeopardizing your ability to meet current and future obligations. However, you need a will to implement them. The will is the foundation of testamentary charitable planning. It is the basis of estate planning in general.

If you would like more information about how to use your will to accomplish charitable and family obligation bequests, please send for a complimentary copy of the booklet, XXXXXX XXXXXXXX

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.



The Academy of Medicine Educational Foundation (AMEF) was established for charitable, educational and scientific purposes.

PURPOSE

The purpose of the AMEF is to add a charitable component to AMC/NOMA and to partner with AMC/NOMA in implementing new initiatives for both physicians and the patient population through charitable, educational and scientific efforts. The Foundation positions the Academy as a viable resource dedicated to the improvement of health care through education. AMEF enhances the philosophy of the AMC/NOMA in its focus on healthcare oriented education for physicians, their staff and patients by providing support for meaningful education and highlighting the value and quality of health-care. A showcase for a philanthropic spirit is provided through the Foundation for physicians who desire to give back to the community and the profession they serve.

For more information please contact:

Elayne Biddlestone
AMC/NOMA
6000 Rockside Woods Blvd., #150
Cleveland, Ohio 44131
Phone: (216) 520-1000
Fax: (216) 520-0999
E-mail: ebiddlestone@amcnoma.org

Leaving a Gift To Your Profession



*Charitable
Bequests In
Your Will*

**The Academy of Medicine
Educational Foundation**



Leaving a Gift To Your Profession: Charitable Bequests In Your Will

Would you like to leave a significant gift to The Academy of Medicine Educational Foundation (AMEF) but feel that your generosity must be tempered by financial responsibility for yourself or your loved ones? Do you hesitate to part with assets that may be needed to meet personal or family obligations? You might be surprised to learn that with a will, it is possible to donate to AMEF without neglecting other obligations.

If you find yourself torn between generosity and responsibility, consider some of the following various ways that you can make a charitable bequest and meet both a generosity to your profession through AMEF and your responsibilities to family and others.

Outright Bequests

When you think of making a gift to charity under your will, the outright bequest is the first that usually comes to mind. That is you simply direct in your will that your entire interest in certain money or property is transferred to a designated charity such as AMEF. In that case your estate would be entitled to a charitable deduction for the full-fair market value of your gift.

Outright bequests can take various forms. The following are brief descriptions of several types of bequests that can be made in this form:

■ **General Bequests.** With this most popular type of charitable bequest, you simply leave a specified dollar amount to a designated charity. For example, a bequest of \$100,000 is a general bequest.

■ **Specific Bequests.** Utilizing this type of bequest, you designate a specific property that you want the charity to receive. An example of this would be a bequest of specified stock or a vacation home.

■ **Residuary Bequests.** A residuary bequest is used to give a charity all or a portion of one's property after all debts, taxes, expenses, and all other bequests have been paid. It may augment a general or specific bequest to the charity if the size of the estate allows after ensuring that other beneficiaries receive their bequests prior to distribution to the charity. For example, giving a charity "the rest of the property that I own at my death is a residuary bequest."

■ **Percentage Bequests.** A bequest can be expressed as a percentage of an estate or residuary estate. For example, a donor might leave a charity 50% of the residuary estate. If fortune changes the size of the estate over the years, this bequest will change in the same proportion.

■ **Contingent Bequests.** When planning your will, it is important to provide for the situation when a beneficiary dies before you or disclaims the property. To prepare for such an occurrence, consider naming a charity as the contingent beneficiary. This will ensure that the property will pass to the designated charity in one of these situations rather than to unintended beneficiaries.

Providing Income for a Beneficiary

Of course, your financial responsibilities can easily extend beyond your lifetime. Continuing income may be needed to provide for a surviving spouse, elderly parent or others who count on you for help. In such a situation, an outright bequest to a charity may not best meet your needs.

With this in mind the AMEF offers a number of plans that can provide both income for life (or plans with a term of years) to one or more selected beneficiaries and a gift to further the AMEF work.

How can you accomplish both goals? You can arrange a charitable bequest by requesting a testamentary charitable remainder trust or a gift annuity.

Testamentary Charitable Remainder Trusts

In recent times, the trust has received increased attention as a financial- and estate-planning tool. Basically, under a trust a property is transferred to a trustee to be held for the benefit of specified beneficiaries while the trust funds last. Commonly, the benefit received is a payout from the trust. When the trust ends, the remaining trust property passes to another beneficiary.

While the charitable remainder trust is essentially similar to other types of trusts, a distinguishing feature is that the amount distributed at its termination—the *remainder* in legal parlance—is paid to a charitable beneficiary. To qualify for special tax consideration, the trust must be in one of two forms—a *unitrust* or an *annuity trust*.

Unitrusts. The primary feature of the charitable remainder unitrust is that it provides for payment to the beneficiary(ies) of an amount that may vary. The payment must equal a fixed percentage (at least 5%) of the net fair-market value of the trust assets as valued annually.

Example. A 6% unitrust valued at \$100,000 its first year will pay out \$6,000. If the trust assets are valued at \$120,000 in its second year, the payout will be \$7,200. The variable nature of the unitrust payments may provide your beneficiary with a hedge against inflation—assuming the assets grow in value.

Impact of the Federal Estate Tax

Fewer and fewer estates will be affected by the federal estate tax for the rest of this decade as the exemption equivalent amount climbs to \$4.5 million in 2009 (see chart). The tax is repealed for the year 2010, but it will be back in 2011 in full force with an exemption of \$1,000,000 unless repeal or higher exemption amounts are re-enacted at that time.

The uncertainties surrounding the eventual fate of the estate tax and even the exemption amount in the intervening years will require your constant vigilance to avoid getting trapped in an unforeseen situation.

If you have a moderate-to-sizeable estate, your estate plans will require periodic reviews with your attorney and other advisors as the phase-in schedules of the recent tax act of 2001 unfold.

Rates will be cut and the exemption will grow according to the following table:		
Calendar Year	Exemption	Highest Tax Rate
2002	\$1 Million	50%
2003	\$1 Million	49%
2004	\$1.5 Million	48%
2005	\$1.5 Million	47%
2006	\$2 Million	46%
2007	\$2 Million	45%
2008	\$2 Million	45%
2009	\$3.5 Million	45%
2010	Estate Tax Repealed	

PLANNED GIVING INQUIRY FORM

Please complete the following information:

NAME _____

ADDRESS _____

CITY _____

STATE _____ ZIP _____

PHONE _____

DATE OF BIRTH _____ Male Female

SPOUSE'S NAME _____

SPOUSE'S DATE OF BIRTH _____

- I would appreciate a call or personal visit. I am interested in:
- bequests gifts of real estate
 - life income plans
 - gifts of stock/appreciated assets
- I would like to know the correct wording for including AMC / NOMA in my will.
- Please send me a complimentary copy of your new booklet, **XXXXXXXXXX**

If you have a friend who might be interested, please write his/her name and address below:

Please return this card or insert in the enclosed envelope.