

# legacy

Spring 2007

## PPA Allows "Trouble-Free" Donation From an IRA To St. Luke's

Having been a member of the St. Luke's medical staff for 35 years, Dale Morgan, M.D., knows as well as anyone that the hospital's patients receive the best possible care.

"It is an excellent hospital," he says. "Management has been very good over the years, and the caliber of the medical staff and the nursing staff is exceptional."

In appreciation for this quality care—as well as the importance of St. Luke's to the Cedar Rapids community—Dr. Morgan and his wife, Louise, made a significant gift to the St. Luke's Health Care Foundation.

"I am at an age where I'm required by law to take a disbursement from my IRA (individual retirement account)," says Dr. Morgan, who retired in the early 1990s. "With the new federal ruling, I saw a good opportunity to make a gift to

the foundations at St. Luke's Hospital and Mercy Medical Center."

The Pension Protection Act (PPA) of 2006 opened a window of opportunity that allows individuals aged 70½ or older to make gifts of \$100,000 or less from their IRAs to qualified charitable organizations such as St. Luke's without paying federal income tax on the withdrawal. The gift must be made no later than Dec. 31, 2007.

The Morgans' donation funded the Physical Rehabilitation Education Classroom, part of a \$40 million renovation project at St. Luke's that involved the rehab, surgery, pharmacy and emergency departments.

"This is a good piece of legislation," Dr. Morgan says, "and making a direct transfer from your IRA is trouble-free. I am grateful we didn't have to



The Morgans' gift will be used to construct the Physical Rehabilitation Education Classroom. Pictured above in the area that is currently under construction are St. Luke's Physical Rehabilitation associates (from left) Amanda Krogmann, James Pazour and Shannon Eck.

do a lot of writing or calling, or do anything special. The way was pretty open.

"I hope they continue (the PPA) for additional years. It is good to help hospitals." ■

"I am at an age where I'm required by law to take a disbursement from my IRA (individual retirement account). With the new federal ruling, I saw a good opportunity to make a gift to...St. Luke's."

—Dale Morgan, M.D.



ST. LUKE'S  
HEALTH CARE  
FOUNDATION

# Your IRAs Are Worth More as a Charitable Gift

Leave your IRAs to your children or siblings or anyone other than your spouse, and you may be leaving them almost nothing!

Individual retirement accounts are excellent vehicles for accumulating assets for your use during retirement, but they are terrible for transferring wealth to others. Whoever inherits your IRAs may find them seriously depleted by taxes—unless the recipient is a charitable entity like St. Luke’s Health Care Foundation.

## Tax Rules

Like other investments and savings, IRA assets may be subject to federal estate tax. What most people don’t realize is that IRA distributions carry an income tax liability, too, which carries over to your designated beneficiaries. This double bite of income and estate taxes often leaves little for your heirs.

Only a surviving spouse can roll over an inherited IRA distribution to his or her own IRA, called a Spousal Rollover IRA, and further delay receiving

distributions until his or her own date for required distributions, typically age 70½. All other recipients are not eligible to roll over their proceeds and enjoy full tax deferral, although some may choose to stretch the distributions over time with payments beginning immediately.

## Preserve Your Assets

IRA transfers to St. Luke’s Health Care Foundation after your lifetime avoid both estate and income taxes. Estate planners often advise clients to consider a charitable bequest of IRA funds simply because an IRA is worth far more to a tax-exempt organization than it is to heirs net of tax.

You can bequeath your surplus IRA funds to St. Luke’s Health Care Foundation, preserving 100 percent of them to support our work rather than relinquishing a huge portion to taxes.

Your IRA plan administrator or tax advisor can assist you in arranging to name St. Luke’s as the primary or secondary beneficiary of your IRAs.

## Make a Lifetime Gift

If you are age 70½ or older, new legislation gives you the opportunity to witness the benefits of your generosity while helping to support our mission. Under the Pension Protection Act of 2006, you can transfer funds from your IRA as gifts (if the gifts do not total more than \$100,000) directly to St. Luke’s on or before Dec. 31, 2007. You will not have to include the amount transferred to us as taxable income, nor will you take a charitable deduction. It is a complete wash. This provision can be especially appealing if you are already receiving required minimum distributions and do not want to pay income tax on those funds, or if you have already named St. Luke’s as beneficiary of your IRA and would like to jump-start your legacy with an outright gift. ■

Your heirs will be hit doubly with income and estate taxes if you leave them your IRA, so why not leave it to St. Luke’s Health Care Foundation instead?

## \$100,000 IRA Bequest to Heirs Versus St. Luke’s

| Type of Gift   | \$100,000 IRA | \$100,000 IRA |
|--|---------------|---------------|
| Beneficiary  | Heirs         | St. Luke’s    |
| Federal Estate Tax<br>(Assumed 45 Percent Marginal Estate Tax Bracket) | (\$45,000)    | \$0           |
| Net Amount Subject to Federal Income Tax                               | \$55,000      | \$0           |
| Federal Income Tax<br>(Assumed 28 Percent Marginal Tax Bracket)        | (\$15,400)    | \$0           |
| Net to IRA Beneficiary   | \$39,600      | \$100,000     |



## The Secret to Maximizing Your Tax Advantages

Learn how the Pension Protection Act of 2006 makes it easier to make charitable gifts from your IRA now and in the future. Request your **FREE** copy of **How to Make Charitable Gifts From Your IRA** using the enclosed reply card.

## New Law Lets You Put Your IRA to Work

**T**here's good news for individuals aged 70½ or older with individual retirement accounts. Thanks to the Pension Protection Act of 2006, a simple, tax-friendly option has joined your stable of charitable giving possibilities.

Under the law, you can now make an outright gift using IRA funds without tax complications. Previously you would have had to report money taken from your IRA as taxable income. You could then take a charitable deduction for the gift, but only up to 50 percent of your adjusted gross income. Some donors actually paid more in income taxes than they would have if they hadn't made a gift at all.

Now you can easily make a gift while you are living and able to witness the benefits of your generosity. While you will not pay income tax on the amount,

you also cannot claim a charitable deduction.

You may contribute funds this way if:

- You are 70½ or older
- The gifts total \$100,000 or less
- You make the gifts on or before Dec. 31, 2007
- You transfer funds directly from an IRA or Rollover IRA
- You transfer the gifts outright to one or more public charities (This excludes gifts made to charitable trusts, donor advised funds and supporting organizations.)

### Moving Forward

Be sure to contact tax professionals and your IRA custodian if you are considering a gift under the new law. Our planned giving staff would be happy to provide more details about this opportunity. ■

### Gift Ideas For Practical Philanthropy

**IRA**—If you are 70½ or older, in 2007 you have an opportunity to make a direct transfer—free of taxes—from your IRA to an eligible charitable organization.

**Appreciated securities**—At any age, a gift of stock gives you a charitable income tax deduction and capital gains tax savings.

**Memorials**—Remember a loved one or a special individual with a gift in his or her name.

# It All Adds Up

## The Rewards of Charitable Giving

Many people are surprised to learn that the gifts they make to charitable organizations such as St. Luke's Health Care Foundation can also bring personal financial benefits. To encourage philanthropy, federal law provides you a number of tax breaks for charitable gifts, depending on the type of asset you donate and the giving method you choose. Here are some of the favorable tax advantages you may enjoy from a charitable gift you make today.

**Income tax deduction.** If you regularly itemize deductions on your federal income tax return, the first tangible benefit from an outright charitable gift is an income tax charitable deduction. The amount you actually save with the deduction depends on your marginal tax rate. The deduction for cash gifts is limited to an overall maximum of 50 percent of your adjusted gross income in any year. There is a special 30 percent limitation on certain capital gain

property. If you make contributions in excess of the deductible ceiling for the tax year, you may carry forward the excess deduction for five years.

If you do not regularly itemize deductions, consider this strategy: itemize your deductions every other year and give more in the years you itemize.

**Capital gains tax avoidance.** If you sell an asset that you have owned for more than one year, such as stock, you will typically pay up to 15 percent capital gains tax on any appreciation. By donating the asset, you eliminate the tax on any capital gain. Combining these savings with your income tax deduction further reduces the net cost of your gift.

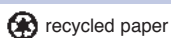
**Federal estate tax reduction.** Gifts you make today reduce the value of your estate at your death. The result is a reduction in the federal estate tax that might be due when your beneficiaries inherit your estate. ■

By making a charitable gift, you can enjoy an income tax charitable deduction while reducing the value of your estate at death.



Do you want to leave a legacy for your family, friends and St. Luke's Health Care Foundation?

For more information on how to make a planned gift, call Carol Rowland at St. Luke's Health Care Foundation at (319) 369-7717.



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