

# legacy

Spring 2008

## A Gift to Recognize the Gift of Life

Vaughn and Bernice Hartzell were private people who didn't feel the need to garner recognition for their generosity, but the couple was proud of the legacy they were able to leave to St. Luke's Hospital and of their ability to plan for their financial future. They simply wanted to repay the medical community for a chance at a long life.

"Vaughn had accumulated a substantial amount of money and managed it well in retirement," says Jerry Trudo, executor of both estates. "He accomplished what he wanted to in life and was thankful to the medical community for the chance to do that." Although Vaughn and Bernice were generally healthy people, one frightening episode just before retirement could have taken it all away.

Both Hartzells were born in the early 1900s in Iowa. They met in Sigourney where Vaughn was working at a bank and Bernice was teaching school. They married in 1941. They moved to Marion, then to Mechanicsville, where Vaughn purchased the Mechanicsville Trust and Savings Bank in 1965. Nearing age 70 and retirement, Vaughn suffered a ruptured aortic aneurysm.

Dr. William Galbraith at St. Luke's "essentially saved his life," Trudo says. After that, Vaughn began to feel that every day was a gift. According to Galbraith, Vaughn had polio as a child, which gave him an appreciation for people with disabilities and perhaps set the stage for his interest in health care.

"As he got older, Vaughn had significant health problems, and this likely focused his attention on health matters and a way to give back to his community. He was very appreciative of the good medical facilities and the strong practice of medicine in our community," Galbraith says.

The Hartzells thanked the medical community by establishing charitable gift annuities. These would ensure continued financial support for the remainder of Vaughn and Bernice's lives before benefiting St. Luke's and other health care interests in the region.

"Once he recognized that there was always going to be plenty of income for them to comfortably live off of for the rest of their lives, it was an easy decision for them to set up planned gifts for cardiac care and pediatric services," Trudo says. Vaughn



Bernice and Vaughn Hartzell

passed away late in 2005; Bernice followed less than a year later. The remainder of both estates went to medical institutions for cardiac and patient care.

"The annuities were a way to establish a payment stream through retirement and still give their money as they wanted," Trudo says. The payments from the annuities were substantial enough that the Hartzells were financially comfortable until their deaths.

"Once Vaughn had set up the annuities, he felt good about knowing exactly what was going to happen and a plan was in place for the remainder of their estates," Trudo says. "They received a tremendous amount of satisfaction from their generous gift planning." ■

# Invest in a Gift That Gives Back to You And Supports Our Mission

Establishing a charitable gift annuity (CGA) is a wonderful way for you to secure steady payments for yourself while providing benefits for charitable organizations.

Although most people think of insurance companies when they think of annuities, St. Luke's Health Care Foundation also offers annuities. They are called "charitable gift annuities" because, as a charitable organization, we make the payments to you for your lifetime. A CGA is a gift vehicle that pays you (and an additional annuitant, if you desire) a predetermined amount each year for life. The gift can be established with cash, securities or other property, and in return you receive fixed annuity payments on a regular basis: quarterly, semiannually or annually.

There are two types of gift annuities: One begins making payments within a year of the gift; the other—a deferred gift annuity—begins making payments at a future time, at least one year after the gift annuity is established.

## THE FINANCIAL BENEFITS

Aside from providing a gift to us, your CGA will offer you many personal financial benefits

Suggested Gift Annuity Rates			
One Life		Two Lives	
Age	Rate	Ages	Rate
50	5.3%	50/55	4.7%
55	5.5%	55/60	5.0%
60	5.7%	60/65	5.5%
65	6.0%	65/70	5.7%
70	6.5%	70/75	6.1%
75	7.1%	75/80	6.6%
80	8.0%	80/85	7.3%
85	9.5%	85/90	8.4%
90+	11.3%	90/95+	10.1%

unavailable with typical annuities.

**Charitable income tax deduction:** The charitable income tax deduction varies, in part, according to your age—the older you are, the higher the deduction—and is taken in the year the gift is made for both the regular and deferred types of gift annuity.

**Favorable capital gains treatment:** If you make the gift with appreciated property, such as publicly traded securities with a low cost basis, you generally avoid paying up-front capital gains taxes on the gift portion of the transfer.

**Tax-free portion:** Each payment you receive may be partially income tax-free, whether it commences now or in the future. For gifts established with appreciated property, each payment may also be partially taxed at lower capital gains rates.

**Lifetime payments:** You and a second individual, if a two-life annuity is desired, receive a fixed and secure amount for life. Payments are often higher than yields generated from stocks. Generally, the older the donor, the higher the payment. With a deferred charitable gift annuity, the donor's age and the time that payments begin

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## Give a Gift That Pays You Back

Learn more about how you can benefit with secure payments for life by making a gift to our organization. Complete and return the enclosed reply card to receive our FREE brochure,

**A Simple Gift That Benefits You, Too.**

will determine the annual rate to be received.

**Estate taxes:** If you are the sole annuitant, the income ceases at your death and is not included as part of your estate. If your spouse is the remaining annuitant, his or her interest may qualify for the estate tax marital deduction. If an individual other than a spouse, such as a sibling or child, is the remaining annuitant, the value of the remaining income interest is included in your estate for estate tax consideration.

**Deferred retirement funds:** With this option, you establish a deferred gift annuity now and defer the payment stream to a later date, such as age 65 or 70, when you may no longer be earning an income and find yourself in a lower income tax bracket. Because the payments are deferred, the rate you receive is significantly higher.

#### **FIGURING YOUR ANNUITY RATE**

Annuity rates are higher for older annuitants and lower for younger annuitants, based on life expectancy. Rates are also adjusted according to the number of annuitants, with rates for two-life contracts often lower because of the extended life expectancy.

A specific annuity rate is a matter of agreement between you and St. Luke's Health Care Foundation. Maximum rates are recommended by the American Council on Gift Annuities. Call Carol Rowland at (319) 369-7717 for current rates or more information. ■

## How a CGA Pays You

**DONOR PROFILE:** Mr. Brown, aged 60, currently owns \$20,000 in highly appreciated stock that is producing low dividends. With retirement approaching, Mr. Brown is considering ways to secure his future income.

### **Strategy: Reduce Capital Gains**

Mr. Brown establishes a \$20,000 charitable gift annuity by donating his highly appreciated stock to St. Luke's Health Care Foundation.

### **Financial Benefits:**

Charitable Gift:	\$20,000 of stock
Annual Payout for Life:	\$1,140
Immediate Charitable Tax Deduction:	\$7,161*

A great advantage of funding a charitable gift annuity with a donation of highly appreciated stock is the reduction of capital gains tax liability. The 15 percent capital gains tax is eliminated on the gift portion of the transfer. In addition, Mr. Brown doesn't incur \$2,250 (15 percent  $\times$  \$15,000) in up-front capital gains tax that he would have incurred had he sold the securities outright.

### **Additional Considerations:**

- Our assets are used to secure the payments.
- If the tax deduction exceeds the annual ceiling, the unused deduction may be carried over for an additional five years.
- There is no need for legal help or other complicated procedures.

\* Assumes a \$5,000 cost basis, quarterly payments and a 5.8 percent charitable midterm federal rate

# Deferred Annuity Can Boost Retirement Funds

**D**eferred charitable gift annuities help support St. Luke's Hospital and delay your annuity payments until your retirement years.

You may be in a financial position to support St. Luke's now but would like to postpone a stream of annuity payments until your later years. The deferred charitable gift annuity accomplishes both.

By using the deferred gift approach, you can make a significant gift to us now and benefit from the charitable tax deduction that accompanies the gift in the year you make the donation. That may help your current tax situation. Yet, through the deferred arrangement you have also assured yourself of a steady, fixed payment schedule for years from now. This works well for people nearing retirement in a higher tax bracket, where a large deduction now is welcome, but retirement income is not yet necessary.

You can even arrange for a survivor to receive payments, once you are gone.

Married couples find this especially advantageous. Generally, the older you are and the longer the deferral period, the higher the fixed annual rate of payments. (Refer to the accompanying table.)

A deferred gift annuity promises fixed and attractive payments during retirement with no investment worries or responsibilities. It also enables you to make a special and enduring gift to strengthen our good work when the funds become available for our needs.

The gift planning specialists at St. Luke's Health Care Foundation will gladly review the specific financial benefits you can enjoy from a deferred charitable gift annuity. ■

One Life Deferred Gift Annuity Schedule		
Begin Age/ Payment Age	Annuity Rate	Term to First Payment
50/55	7.0%	5-year
50/60	9.4%	10-year
50/65	12.8%	15-year
50/70	17.9%	20-year



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

**Learn** how to plan for tomorrow at our Web site. Go to [www.stlukescr.org/foundation](http://www.stlukescr.org/foundation). You won't find a more complete resource for estate and charitable planning anywhere else on the Web.

- Discover a virtual encyclopedia of information on how and what to give.
- Access hundreds of up-to-date articles on making the most of your charitable giving.
- Calculate your income tax deduction for charitable gifts.

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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