Charitable Giving
& Tax Tips

Johns Hopkins PLANNING MATTERS

your legacy is part of our story

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Elaine and John Freeman, Med '58

Elaine and John Freeman, Med '58: *A Passion for Bioethics*

In 2005, the Freemans pledged the first of several outright gifts to fund a faculty position for four years, hoping they might find a way to maintain it in perpetuity. The boon of their retirement accounts provided that opportunity.

When Elaine and John Freeman, MD, began to contemplate retirement, they took stock of a lifetime of professional accomplishments — his illustrious and influential career in pediatric neurology and epilepsy, and her three decades as the grande dame of communications for Johns Hopkins Medicine.

When they also took stock of their assets, they were more than pleasantly surprised to learn that, during their 70 combined years of employment at Johns Hopkins, a sizeable sum had accrued in their 403(b) retirement plan accounts.

"We were dumbfounded," says John, Lederer Professor Emeritus of Pediatric Epilepsy, professor of neurology and pediatrics and founder of the pediatric epilepsy center now named in his honor. "With our modest lifestyle, we had more than sufficient funds for our retirement."

Moreover, the Freemans learned from their financial advisor, because their contributions had been made with pre-tax dollars, their retirement plan assets would be heavily taxed if they designated their three children as beneficiaries.

They were faced with a happy conundrum.

John, who graduated from the School of Medicine in 1958, returned to Johns Hopkins in 1969 to create a pediatric neurology division. As he became engaged in discussions about the decision-making process for treating infants with spina bifida, he developed an interest in clinical bioethics that subsequently influenced how birth defects were perceived and treated. He later created and served as chair of The Johns Hopkins Hospital Ethics Committee, chaired the search committee for the first director of the Johns Hopkins Berman Institute of Bioethics, co-authored *Tough Decisions: A Casebook in Bioethics* and solidified a belief that the institution should adopt a more vigorous clinical ethics curriculum.

Elaine, who shared John's belief, knew

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Bequests: *The Enduring Gift That Costs You Nothing Today*

No matter what you call it…

Whether it's technically known as a 401(k), a 403(b) or an IRA, a retirement plan is one of the best assets to use for a bequest.

By Michelle L. Glennon, Esq.
Senior Director of Gift Planning and Senior Philanthropic Advisor

In this issue of *Planning Matters*, our newly designed gift planning newsletter, we focus on one of the most common gift types: the bequest. Each year, many generous donors (such as Elaine and John Freeman, and Robert Haslam, whose stories are featured in this issue) help Johns Hopkins advance our mission by making a bequest commitment, a statement in their written will or estate plan to provide a charitable gift after their death.

Bequests are easy to arrange and can be made from a variety of assets, including cash, publicly traded securities, real estate and personal property. You can even create a bequest by simply designating Johns Hopkins as the beneficiary of a life insurance policy. Many donors like the versatility of a bequest, because you can always change your plan should your personal needs change.

An option that provides great flexibility is naming Johns Hopkins as a contingent beneficiary in your estate plan. This way, the primary beneficiary (usually your spouse) can disclaim the amount he or she deems appropriate, and that amount will go to Johns Hopkins.

In addition to your will, a bequest can be made through a variety of mechanisms. When selecting which one to consider for a charitable bequest, it is important to look at the tax treatment of each. Designating a retirement plan, such as an IRA, 401(k) or 403(b), is often a strategic and tax-efficient way to make a charitable bequest. Gifts to individuals other than a spouse from a retirement plan are subject to income tax. This tax is *in addition* to estate tax that may be imposed on the account. For estates fully subject to the estate tax, this can mean that up to *80 percent* of the value of your retirement plan will be consumed in taxes before your child, relative or friend receives it.

Johns Hopkins, as the beneficiary of your retirement plan, does not have to pay income tax on the bequest. You may wish to use other assets not subject to income tax to make gifts to your heirs.

Before making any type of bequest, please contact us for suggested language. We want to be sure that your intentions can be carried out, and that your legal documents accurately reflect your wishes, especially if you wish to direct your gift to a specific school or division of Johns Hopkins. (Nearly all gifts to benefit areas of medical research, for example, should be directed to The Johns Hopkins University, not to the hospital.)

We look forward to partnering with you and your legal, financial and estate advisors to thoughtfully develop a highly personalized, creative strategy that helps you achieve your philanthropic goals while it advances your financial and estate planning.

Bequests are…

Advantageous

- Allow you to make a gift without cost today
- May avoid tax burden for heirs

Versatile

- Can be unrestricted or directed to specific purposes
- Can specify any $ amount or %

Easy to Arrange

- Employ a wide range of assets
- Can be changed if needed

Please contact us for sample language for your will, codicil or beneficiary designation form.

Robert H.A. Haslam, MD: *A Bequest That Bridges Years and Miles*

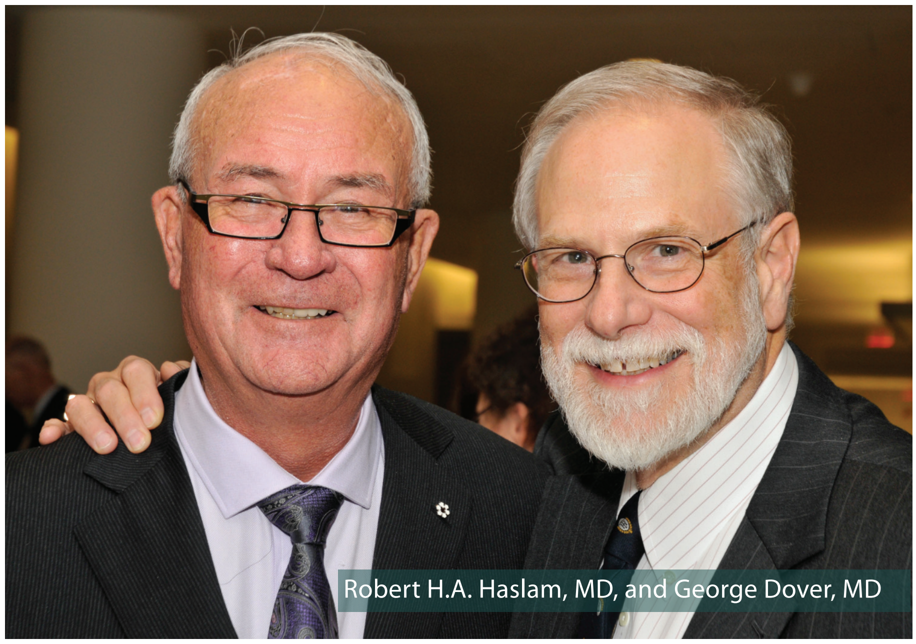
Robert H.A. Haslam, MD, a 2008 recipient of the Order of Canada (that country's highest civilian award), is quick to share the honor far beyond his homeland's borders. "Whatever contributions I've made to pediatrics," he insists, "were possible through the experience, confidence, knowledge and training I received at Johns Hopkins."

His path from Saskatoon to East Baltimore, where he spent five years as a pediatric resident in the mid-1960s, was laid by a University of Saskatchewan professor, John Gerrard, who trained under the pioneering pediatric endocrinologist Lawson Wilkins. Haslam benefited from similar mentoring. "At Johns Hopkins, the faculty members were committed to taking us under their wing," he says. "It was an exciting time."

It was also a time of change. When he arrived in 1962, for example, one of the physicians in the private ward prohibited visitors — including parents. Haslam sneaked a young couple into their child's room one night, and the action drew attention from the pediatrics department director, Dr. Robert Cooke. "Instead of reprimanding me," Haslam recalls, "he said, 'Good for you.' It was a very small thing that I did, but he noticed it and encouraged me."

Cooke also inspired Haslam to swap the traditional white coat for a child-friendly pastel blue one, a practice he maintained until retirement.

Following a post-doc in Kentucky, Haslam returned to Baltimore in 1970 to become director of the John F. Kennedy Institute and to serve on the Johns Hopkins Children's Center faculty and as deputy chairman of pediatrics. In 1975 he headed home to Canada, completing a distinguished career that included service as head of pediatrics and physician-in-chief of the University of Calgary and Alberta Children's Hospital, professor and chairman of pediatrics and professor of neurology at the University of Toronto and pediatrician-in-chief at the Hospital for Sick Children in Toronto. He and his wife, Barbara, now live in Okotoks, Alberta.



Robert H.A. Haslam, MD, and George Dover, MD

Robert H.A. Haslam, MD (left), with George Dover, MD, director of Johns Hopkins Children's Center and chairman of pediatrics. The two physicians reunited during a November 2011 symposium to mark the closing of the Children's Medical and Surgical Center in preparation for the April 2012 opening of The Charlotte R. Bloomberg Children's Center.

Johns Hopkins is never far from mind, he says, despite its physical distance. Recently, he notified the university of his plans to fund travel and educational expenses for future pediatric residents, through a bequest in his will.

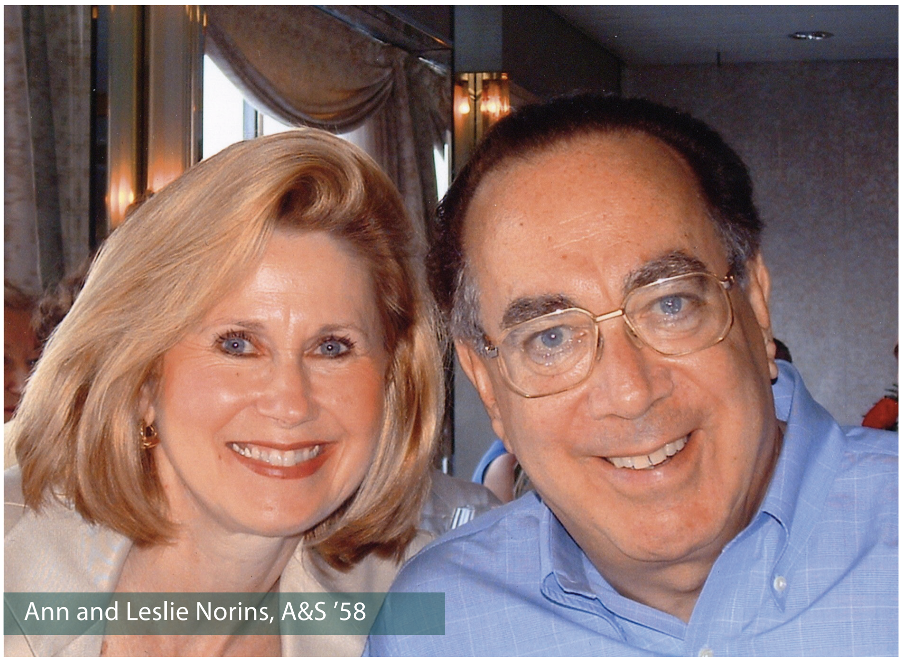
"I had thought about it for many years and originally designated an unrestricted gift to the Department of Pediatrics at Johns Hopkins," Haslam says. "Following a modest outright gift to the department a few years ago, however, Department Chair George Dover asked whether that gift could be used to support resident travel and education. I thought that would be a good idea, so I have since restricted my bequest to this area, too.

"The process of documenting my bequest was quite easy, and it ensures that my gift will be used as I intend it to be. I also hope that, in sharing my plans with Johns Hopkins, others might do the same."

Making his intentions known publicly comes naturally to Haslam, who believes strongly in the value of role models. "Johns Hopkins set the stage and opened the doors for me," he says, "allowing me to use my role models to shape my own experience. I was able to mentor trainees who have in turn become mentors to others, so the tradition continues. It all goes back to my years in Baltimore."

"The process of documenting my bequest was quite easy, and it ensures that my gift will be used as I intend it to be. I also hope that, in sharing my plans with Johns Hopkins, others might do the same."

— Robert H.A. Haslam, MD



Ann and Leslie Norins, A&S '58

Leslie and Ann "Rainey" Norins Establish Australian Exchange Through $10 Million Bequest

The Zanvyl Krieger School of Arts and Sciences has been named a beneficiary of a charitable trust established by Leslie C. Norins, A&S '58, and his wife, Ann "Rainey" Norins, to fund an endowed student and faculty exchange program in the sciences. The future value of the gift is estimated at approximately $10 million. The Norins Fund will support reciprocal exchanges of student scientists and junior science faculty members from Johns Hopkins with those at one of Australia's most prominent bioscience research centers, the Walter and Eliza Hall Institute in Melbourne, from which Norins received his doctorate in immunology. To learn more, visit **tinyurl.com/833h4no**.

Learn More

To learn more about the benefits and process of making a bequest or any other type gift to benefit Johns Hopkins, please contact the Office of Gift Planning or visit our revamped website, **giving.jhu.edu/giftplanning**.

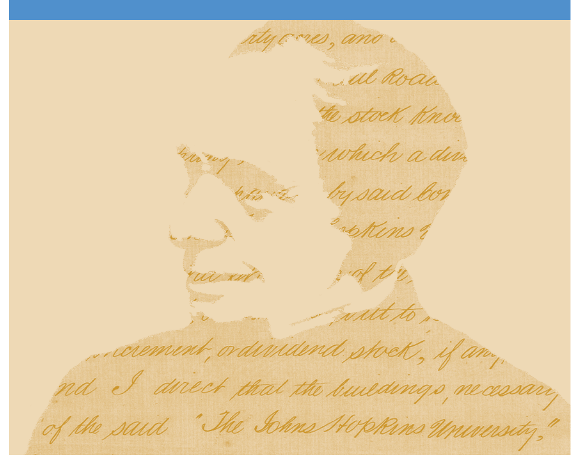
An Enduring Legacy

In 1867, Baltimore philanthropist and investor Mr. Johns Hopkins made estate plans to create The Johns Hopkins University and The Johns Hopkins Hospital. He died on Christmas Eve 1873, leaving $7 million to be divided equally between the two institutions. It was, at the time, the largest philanthropic bequest in U.S. history.

Established in 2012, the Johns Hopkins Legacy Society celebrates the legacy of Mr. Hopkins and that of the individuals who choose to follow in our founder's footsteps. Membership is extended to all individuals who include The Johns Hopkins University and/or Johns Hopkins Medicine in their estate plans or make a life-income gift to any school, division, department or area of interest.

Because a legacy gift represents a lifetime commitment, the Johns Hopkins Legacy Society welcomes donors of any age and gift amount. Members will receive exclusive opportunities to engage more fully with the entire Johns Hopkins community and, if they wish, public recognition for their generosity.

Watch for more information in the next issue of *Planning Matters*, or visit **giving.jhu.edu/giftplanning**.



Freemans, continued from page 1

that more than passion would be needed to realize such a goal: "I said to John, 'This curriculum is never going to happen unless someone gives the money specifically for it.'"

The couple, who have supported many charitable endeavors during their 55 years of marriage, envisioned a faculty position. "We didn't have the money to endow a professorship or even an associate professorship," John recalls. "But we could help pay the salary for a faculty member who would teach clinical ethics to young physicians."

In 2005, the Freemans pledged the first of several outright gifts to fund a faculty position for four years, hoping they might find a way to maintain it in perpetuity. The boon of their retirement accounts provided that opportunity.

They worked with their financial planner, Johns Hopkins leadership and a representative from the Office of Gift Planning to design a bequest that will divide their 403(b) retirement accounts among several institutions, including the Johns Hopkins Berman Institute of Bioethics to permanently endow the Freeman Family Scholars in Clinical Bioethics, which allows junior faculty members to teach clinical ethics in the hospital and medical school.

"Doctors have to have some role in guiding decisions," says John. "We ask parents and patients to make ethical decisions about which they have no experience whatsoever. If you ask them in the wrong way, they will say, 'Of course, we want to have everything possible done,' which might lead to the patient's being in a comatose state forever.

"My hope is that students and residents

John Freeman with Margaret R. Moon, MD, the first Freeman Family Scholar, at the April 2011 Robert H. Levi Symposium Public Forum: Ethics of Altered Standards of Care in Disaster Settings. Moon was a key presenter at the event, which was jointly sponsored by the Berman Institute of Bioethics and the Bloomberg School of Public Health.

will be far more sensitive, more humanistic and in touch with different responses from patients and tolerant of different decisions."

Pediatrician and assistant professor Margaret R. Moon, MD, who was named the first Freeman Family Scholar, works with students and residents in a special voluntary program that provides the opportunity for these physicians-in-training to reflect on their practice and clinical ethics.

"The Freemans' gift allowed me to start with a very open mind and take an expansive look at ethics education to develop innovative and responsive teaching," says Moon. "Clinical ethics is a regular topic of conversation among our residents and in our hospital because of the Freemans' generosity and leadership."

"Working at Johns Hopkins for a long period of time allowed us, among other things, to know areas where a difference can be made," John says. "We know there is a future in what we are funding, and it is wonderful to see some of that future realized while we are alive."

Coming Soon: The Johns Hopkins Donor Advised Fund

Johns Hopkins is starting its very own donor advised fund, a flexible, practical and convenient way to manage your giving to Johns Hopkins and other charities. Watch for details in the Fall 2012 issue of *Planning Matters*, or contact the Office of Gift Planning for more information.

PLANNING MATTERS

Planning Matters is produced two times per year by the Johns Hopkins Office of Gift Planning. To learn more about how gift planning can help you achieve your philanthropic goals while also advancing your financial, estate and wealth planning, please visit our revised website, **giving.jhu.edu/giftplanning**, or call us toll free, 1-800-548-1268.

We respect your privacy by never sharing your name with other organizations. If you prefer not to receive mail from us, please send a note or an email telling us so, and we will promptly remove you from our mailing list.

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5 Things to Think About Charitable Giving in 2012

The top federal estate tax rate remains at 35% with an exemption of approximately $5.1 million for the remainder of the year. If Congress does nothing, the top rate on the largest estates will skyrocket to 55% on January 1, 2013, and the exclusion will plummet to $1 million.

Timing, as they say, is everything. This adage has particular meaning for anyone contemplating charitable gifts in 2012, when the effectiveness of certain strategies hinges on congressional action (or lack thereof) and the current economic conditions. The top federal estate tax rate remains at 35% with an exemption of approximately $5.1 million for the remainder of the year. If Congress does nothing, the top rate on the largest estates will skyrocket to 55% on January 1, 2013, and the exclusion will plummet to $1 million. Many donors are also hoping that the charitable IRA "rollover" legislation will be reinstated. Finally, there are rumbles of changing the charitable deduction in its current form. Despite all of the moving parts, including the shifting economic climate, there are some charitable giving tactics that you may wish to employ in 2012.

1 Outright Gift

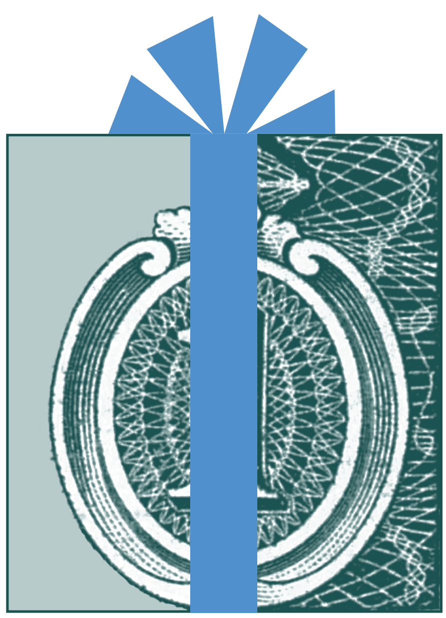
Tactic: Make outright charitable gifts this year.

Why it matters now: Our first item is the simplest: make your gift now to take advantage of the current charitable deduction rules. In attempts to balance the country's budget and reduce the deficit, the charitable deduction has come under fire. There have been proposals to eliminate or limit the charitable income tax deduction. As of May 1, 2012, the president's proposed budget for 2013 limits the charitable deduction to 28% for families earning over $250,000. More dramatic than the president's proposals, however, were several congressional proposals in 2010 to eliminate the charitable deduction entirely. These proposals contemplated replacing the deduction with a credit; however, the value of the credit would be significantly less than the current charitable deduction. Of course, no one can predict if, when and/or how Congress will act.

2 Gift of Appreciated Assets

Tactic: Increase the power of your outright gift by donating appreciated assets, such as publicly traded securities, instead of cash.

Why it matters now: With the economy improving, more investments are appreciating, rather than depreciating or remaining flat. If you give a charity assets that you have held for longer than a year, in most cases you can deduct the entire fair market value of the assets, without paying capital gains tax.



3

Bequest of Retirement Account Assets

Tactic: Maximize your bequest to charity and minimize the tax burden on your heirs by naming a charity as the beneficiary of your retirement account.

Why it matters now: When you name an individual other than your spouse as the beneficiary of your retirement account, the assets are subject to estate tax *and* he/she must pay income taxes on distributions — taxes could be as high as 80%. The same assets, however, pass tax-free to a qualified charity, such as Johns Hopkins.

For more information on this topic, please see the article on page 2.

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Charitable Gift from an Individual Retirement Account (IRA)

Tactic: Be careful of new developments in the law when contemplating a charitable gift from your IRA.

Why it matters now: The provision allowing individuals age 70½ and older to give up to $100,000 from an IRA directly to charity expired on December 31, 2011. Under that previous law, because the "charitable rollover" gift passed directly from the IRA to the charity, it was excluded from the donor's income.

Under current law, a donor who wishes to make a gift from an IRA must first take the distribution and then give those funds to charity. The distribution constitutes income, and you are eligible to then receive a corresponding deduction. This method may, however, be problematic if you receive Social Security.

It is impossible to know if or when Congress might re-enact the charitable IRA rollover. The last time it did so, in 2009, the legislation was signed into law on December 17 — when many donors already had taken distributions for the year — but did not allow for retroactive rollover gifts. Be sure to stay in close contact with your financial advisor should you be considering a charitable gift from your IRA.

5

Charitable Lead Annuity Trust (CLAT)

Tactic: Support a charity while you pass assets to heirs at greatly reduced tax costs.

Why it matters now: Through the CLAT, a donor contributes assets to a trust, and the trustee makes yearly payments to a charity for a predetermined number of years. At the end of the term, the remaining assets transfer to the donor's non-charitable beneficiaries (often his/her heirs). You can lower your estate and gift tax cost of passing assets to heirs by using the CLAT because the taxable value of the assets will be reduced by the present value of the income stream to Johns Hopkins. The IRS rate used to calculate the present value is currently very low — 1.2% as of June 2012. Thus, if the assets contributed to the CLAT appreciate at a rate greater than 1.2%, you effectively transfer extra value to the non-charitable beneficiaries.

The Final Step in Estate Planning *Many People Overlook*

Settling your estate is a topic no one wants to think about, but you can make the task easier for your executor — and ensure that your heirs receive everything you intend — by gathering all of your important documents and leaving them where they can be accessed easily. (Hint: it's not a safe deposit box.) Don't know where to start? "The 25 Documents You Need Before You Die," a reprint from *The Wall Street Journal*, provides practical guidance on what to gather, from your durable health-care power of attorney to a list of all computer user names and passwords. Request a free copy from the Johns Hopkins Office of Gift Planning by calling 1-800-548-1268 (toll free), sending an email to **giftplanning@jhu.edu** or returning the reply card found in this newsletter.

JOHNS HOPKINS

Johns Hopkins Office of Gift Planning
San Martin Center, 2nd Floor
3400 North Charles Street
Baltimore, MD 21218

POP QUIZ

Can you name the benefactor or the professor, building or object made possible through philanthropy? Answers are below.

Answers:

Top row: George Peabody Library; Franklin W. Knight, The Leonard and Helen R. Stulman Professor of History; Sheikh Zayed Cardiovascular and Critical Care Tower and Charlotte R. Bloomberg Children's Center.

Second row: Mary Elizabeth Garrett; Hackerman Hall; Elliot McVeigh, Massey Professor and Director, Department of Biomedical Engineering, Johns Hopkins University School of Medicine.

Third row: Armstrong Medical Education Building, Hutzler Reading Room, Cordish Lacrosse Center.

Thank you for your interest in a gift to benefit Johns Hopkins. Please complete, seal and return this reply card, and a gift planning advisor from the Office of Gift Planning will respond promptly.

❒ **Yes, please send me a complimentary copy of *The Wall Street Journal* article reprint, "The 25 Documents You Need Before You Die."**

❒ **Yes, I am interested in learning more about the benefits of**
- ❒ gifts of publicly traded securities
- ❒ gifts that provide income to me and/or another person
- ❒ including Johns Hopkins in my estate plan
- ❒ gifts of residential, commercial or undeveloped real estate
- ❒ other

❒ **I have remembered Johns Hopkins in my estate plan as follows:**
- ❒ in my will or living trust
- ❒ in a charitable remainder trust
- ❒ as the beneficiary of my IRA, 401(k), 403(b) or other retirement account
- ❒ as the beneficiary of a life insurance policy
- ❒ other

- -

Name(s): ____

Address: ____

City/State/Zip: ____

Daytime Phone: ____

Email: ____

Year(s) of Graduation from Johns Hopkins (if applicable):

____

School/Area of Interest at Johns Hopkins:

____

Your privacy matters to us: All information you provide will be held in the strictest confidence. It will not be sold, rented, loaned or otherwise disclosed.

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