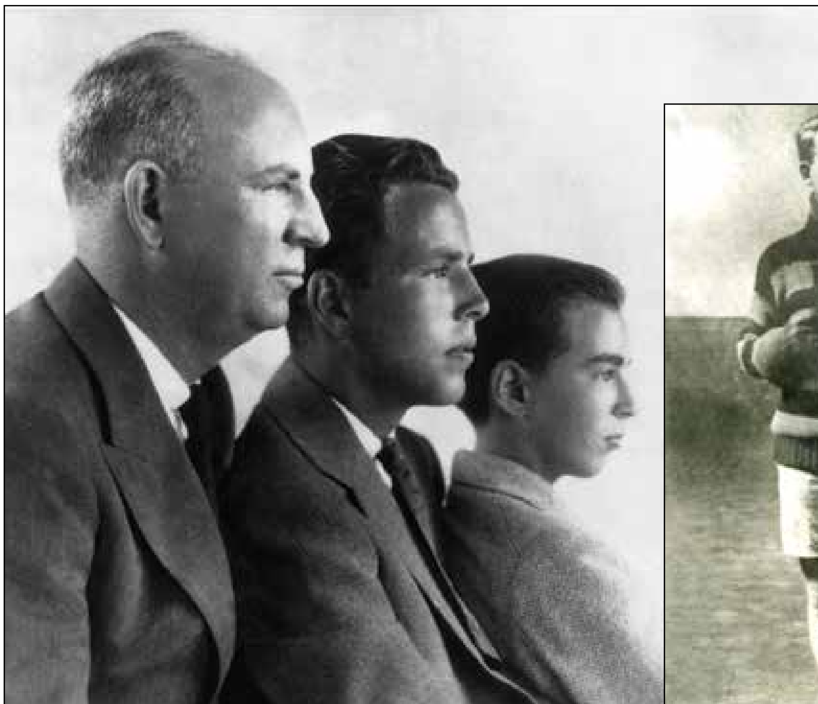
Charitable Giving
& Tax Tips

Johns Hopkins Planning Matters

your legacy is part of our story

Spring 2013



The Alan Mason Chesney Medical Archives of The Johns Hopkins Medical Institutions

From left: Bertram M. Bernheim Sr., MD, with sons I.W. and Pete. Dr. Bernheim played lacrosse for Johns Hopkins and later served during World War I as commanding officer of the Johns Hopkins Hospital Unit in France.

Thomas Hess: Ensuring a Legacy Lives On

Through contributions from his IRA, the grandson of a pioneering surgeon supports a named professorship in the Department of Surgery. In doing so, he realizes tax benefits while honoring two members of his family.

Few of us would reflect fondly on seeing ice cube trays filled with blood in the freezer. For Tom Hess, however, the recollection brings back memories of his grandfather, Bertram Bernheim, a Johns Hopkins graduate and associate professor of surgery. The trays and their contents were part of Bernheim's pioneering research in blood transfusion and vascular surgery.

"My grandmother would get very angry at him because there were never any ice cubes," says Hess who also recalls long walks with his grandfather on his grandparents' property and receiving some tough coaching from him from the sidelines at lacrosse games. Bernheim, A&S 1901, Med 1905, was a big fan of the game and played lacrosse for Hopkins as an undergraduate.

Today Hess keeps the memory of his grandfather alive and honors his legacy at Johns Hopkins by supporting the Bertram M. Bernheim Research Professorship in Surgery. Bernheim's son and Hess' uncle Bertram "Pete" Bernheim Jr. established a charitable remainder unitrust with Johns Hopkins to endow the professorship in 1987, working closely with fellow graduate and former Johns Hopkins executive Erwin Sekulow, A&S '59, A&S '76 (MA).

Like his father, Pete Bernheim attended Johns Hopkins, playing lacrosse and graduating in 1937. He served in the Army during WWII, continued his military career in the Air Force and went on to become a stock broker. When he died in 2009, he left his estate to Johns Hopkins' Department of Surgery for the Bernheim Professorship.

"Pete was devoted to his father, and the professorship was a great way to recognize his father's achievements," says Hess.

continued on page 3

The Charitable IRA Rollover— Turning Mandatory into Meaningful

Kathryn Amey Shelton
Gift Planning Advisor

Remember the Date!
The charitable IRA rollover is in effect through Dec. 31, 2013. If you are interested in making this type of gift to Johns Hopkins, contact the Office of Gift Planning for instructions at 410-516-7954 or 800-548-1268.

My role as a gift planning advisor is to take time to learn the goals and passions of Johns Hopkins donors and try to "marry" these goals to priorities of Hopkins—all in a way that makes financial sense to the donors. For me this is an enormously satisfying job. Some days I am helping with a real estate gift and others I am crafting finely honed wording for a bequest intention. Recently much of my time has been spent assisting with tax-wise utilization of Individual Retirement Accounts (IRAs).

IRAs are designed to encourage individuals to save for retirement. The account grows tax-free. At age 70½ and over, an individual must take Required Minimum Distributions (RMDs), which are taxed as ordinary income. Withdrawal rates increase annually.

Now there is another option. In January Congress reauthorized the charitable IRA rollover as part of the American Taxpayer Relief Act of 2012. This legislation enables individuals to both satisfy their RMD and make tax-free transfers from an IRA directly to Johns Hopkins through Dec. 31, 2013. Owners of IRA assets can transfer up to $100,000 directly from the IRA to a qualified charity. (Since the IRS does not classify this transfer as income to the IRA owner, it is not tax-deductible as a charitable contribution.)

Is it better to take the income distribution, make the gift and take the charitable deduction, or to simply use the IRA rollover option? For our own charitable and financial planning, my husband and I weren't sure so we checked with our financial advisor—always a good idea. For us, there was not much difference. In the case of a Wilmer Eye Institute benefactor whom I recently helped, the difference was huge. At age 93 his IRA distribution was $110,000. By giving $100,000 to Wilmer through the rollover, he paid income tax only on the remaining $10,000, and he supported critically needed research.

The IRA rollover offers other benefits. Some donors do not need additional income and are glad to exercise some control over their taxable income total. Others have already taken the maximum charitable deductions possible under the tax laws. Still others do not itemize deductions on their income tax return.

Another advantage is donors can give in ways they wouldn't have ordinarily done without the rollover option. I worked with a couple who were thrilled to realize that $100,000 would fund a named endowment. They each authorized a rollover from their IRAs, resulting in $200,000 for undergraduate scholarships and enormous satisfaction for the couple.

Consider contacting us with questions or directions for making a gift via the charitable IRA rollover. I know legislation alone is never the sole impetus for a charitable gift. Ultimately, the act of making a gift results from gracious gratitude.

2013 Charitable IRA Rollover

Who: Individuals 70½ and older

What accounts: Transfers can come from Individual Retirement Accounts (IRAs) directly to Johns Hopkins. Retirement assets in a 401(k) or 403(b) account must first be rolled into a traditional IRA.

Amount: Up to $100,000

Advantages: Immediate impact on Johns Hopkins and tax relief on this portion of retirement income

Jensens, continued from page 1

Bertram Bernheim's grandson Tom Hess (center) with Mel Williams, MD (left), the first Bertram M. Bernheim Research Professor in Surgery. Jim Black, MD, succeeded Williams as the Bernheim Professor in 2010. Funds from the professorship advance Black's research in blood transfusion and transitional care for vascular patients.

In addition to his leading work in blood transfusion and vascular surgery, Bertram Bernheim performed the first laparoscopic surgery in the United States. The devastating loss of life he witnessed in the First World War serving as surgeon and commanding officer for the Johns Hopkins Hospital Unit in France made him even more determined to advance medical research to save lives.

After the war he became chief of the surgical department of Hebrew Hospital, now called Sinai, in Baltimore. He was a founder of the American College of Surgeons and the American Board of Surgery, and played a role in establishing ambulance service by the Baltimore City Fire Department. In 1948 he was named a Johns Hopkins associate professor emeritus.

Among Bernheim's many books are *The Story of Johns Hopkins*, a history of the university's leadership; *Adventure in Blood Transfusion* for the layman; and the semi-autobiographical *A Surgeon's Domain*. In *Medicine at the Crossroads* (1939), Bernheim raises concerns about medical costs and unnecessary procedures.

"He describes the predicament we're in now," says Jim Black, MD, associate professor of surgery and attending surgeon, who was encouraged to learn more about Bernheim when he was named to succeed G. Melville Williams, MD, as the Bertram M. Bernheim Research Professor of Surgery in 2010.

Part of Black's research focuses on transitional care—the care patients who have undergone vascular surgery will need between hospital and home, so they avoid being readmitted and incurring more medical costs. With funds from the professorship, Black was able to hire a research assistant who is working to identify patients at high risk for returning to the hospital following surgery.

Black corresponds regularly with Hess to update him on his research and clinical specialties in vascular surgery and treating patients with connective tissue disorder—work that is advanced by the Bernheim Professorship.

Over the years, others have contributed to the professorship, including Pete Bernheim's brother and sister as well as his nieces and nephews. Hess supplements the professorship annually, often through a charitable IRA rollover, which allows him to transfer funds from his retirement account to Johns Hopkins in support of his grandfather's professorship.

The charitable IRA rollover option lapsed in 2012. Fortunately, Congress reauthorized the charitable IRA rollover for 2013, so those who are 70½ and older can transfer up to $100,000 from their IRA to a qualified charity like Johns Hopkins through Dec. 31, 2013.

By contributing to the professorship in this way, Hess benefits as well. The rollover counts toward his required minimum IRA distribution, and because it's a donation, Hess won't pay tax on this portion of his retirement income.

More important to Hess, he ensures that the legacy of his grandfather and the generosity of his uncle live on. As he says, "I am just so proud to be a part of it, to be connected to it."

"I am just so proud to be a part of it, to be connected to it."

—Tom Hess

Gail Merenyi: A Rewarding Retirement for Her and Hopkins

Consider a CGA

A charitable gift annuity (CGA) allows you to make a financial gift to Johns Hopkins in return for fixed payments for life. Payments can start immediately with a minimum contribution of $10,000, or they can be deferred, starting at a later date and entitling you to a higher annuity rate and larger charitable deduction. To learn more, contact the Office of Gift Planning or calculate your own benefits at giving.jhu.edu/giftplanning.

Gail Merenyi worked hard as a health care administrator and had a fulfilling career. Now her retirement is just as rewarding, thanks in part to a Johns Hopkins charitable gift annuity.

"Financially, and for peace of mind, the choice was Johns Hopkins," she says.

Merenyi first chose Johns Hopkins more than 30 years ago when she wanted to finish her bachelor's degree. While working for Union Memorial Hospital in Baltimore, she attended the evening college at Johns Hopkins "one class at a time" and in 1980, earned a bachelor's degree in business administration. Not to be stopped and still working full time, she pursued an advanced degree, this time at the Johns Hopkins Bloomberg School of Public Health, receiving her master's in 1991.

She fully realized the value of her graduate degree when she became a nursing home administrator for North Oaks Retirement Community in Pikesville, Md. Within six years she moved up to executive director, overseeing many different departments. "It was like running a small business," she says. "I would wake up in the morning and say, 'Oh boy, I wonder what is going to happen today.'"

Merenyi went on to become executive director of Blakehurst Retirement Community in nearby Towson, Md., where she continued to be fulfilled by the work. "I loved it and loved the residents who lived there."

As her own retirement approached and in the midst of a shaky economy, she considered her financial options. She purchased a CD for $100,000 from a bank paying a 4 percent interest rate, but by the fall of 2010, interest rates were much lower.

Remembering a friend's positive experience with Johns Hopkins, she contacted the Office of Gift Planning about establishing a charitable gift annuity with her savings. Today she receives quarterly payments at a guaranteed 5.5 percent annuity rate, and a part of each payment is treated as tax-free income.

Gail Merenyi, Bus '80, SPH '91, with her terrier, Happy

"Financially, and for peace of mind, the choice was Johns Hopkins."

While Merenyi says her initial motivations for committing to a charitable gift annuity were "more practical than philanthropic," she is pleased that Johns Hopkins benefits as well. She designated the balance of her gift annuity to go to faculty and doctoral and postdoctoral students focusing on cancer research at the Johns Hopkins Bloomberg School of Public Health. Her gift honors family members who have been affected by the disease and recognizes the place that launched her into a new career—and into an enjoyable retirement.

Johns Hopkins Launches Historic Campaign

On May 4, Johns Hopkins President Ron Daniels invited the Hopkins community of alumni, friends, faculty, and staff to join him in *Rising to the Challenge: The Campaign for Johns Hopkins.*

The fundraising campaign is the most ambitious in Johns Hopkins' history, aspiring to raise $4.5 billion to take on global challenges like water sustainability and health care delivery, and to confront issues facing us at home—revitalizing America's cities and better understanding how we learn and teach.

Legacy gifts, like the bequest Mr. Hopkins made more than 100 years ago to create the Johns Hopkins University and the Johns Hopkins Hospital, play a vital role in achieving the goals of *Rising to the Challenge*. Legacy gifts can support any area of Johns Hopkins. They fund endowments for scholarships, fellowships, and financial aid. They sustain cross-disciplinary professorships and other faculty positions. They carry on the research and academic initiatives to improve life that have been a Johns Hopkins hallmark.

Visit rising.jhu.edu to learn more about the campaign and how you can make a real difference in the lives of exceptional faculty and students with your legacy gift to *Rising to the Challenge.*

Their Legacy Told

Johns Hopkins University and Johns Hopkins Medicine are grateful to the generous alumni and friends who have remembered us in their estate plans. We now remember a few of these benefactors and honor their legacy gifts.

Frederick Halverson, A&S '43 (PhD), left approximately $71,000 in his trust to the university's Chemistry Department. Originally from Wisconsin, he was a visiting scientist at Cambridge University from 1957 to 1958 and had a long career at the American Cyanamid Company Stamford Research Laboratories, retiring as a senior research fellow. Halverson's nephew and trustee, David Felde, says his uncle and his uncle's wife, Edith, were "very committed to supporting the institutions of higher learning where they received their education."

Richard R. Prouty, Med '48, practiced and taught medicine in New York and Florida and was a veteran of two wars. His trust left approximately $750,000 for the School of Medicine. Noting his love of science and intellectual growth, his friend and trustee Gloria Gregurovich says, "Richard always spoke of Johns Hopkins with great pride and gratitude. It gave him hope."

Gladys W. Winter left $250,000 to the Peabody Institute to establish the Harrison L. and Gladys W. Winter Endowment Scholarship Fund for piano students and also gave $50,000 to the Sheridan Libraries to support the Harrison L. Winter Endowment for Law and Political Science. Mrs. Winter had a lifelong love of learning and the arts. She was a graduate of Swarthmore College and of the Peabody Preparatory, where she studied piano. Her husband was Harrison Winter, A&S '42, a former trustee of the Johns Hopkins University and Peabody Institute.

Dawnielle René Photography

"I have a deep connection with the university, so putting Johns Hopkins in my will was natural for me," shares Paula Boggs, A&S '81, Johns Hopkins University trustee and Legacy Society co-chair, in a video featuring her and other Legacy Society members. Hear their inspiring stories at giving.jhu.edu/giftplanning.

Share Your Bequest

If Johns Hopkins is in your will or estate plans, *please let us know.* We want to thank you and make sure your wishes are met, and to welcome you to the Johns Hopkins Legacy Society. The Legacy Society celebrates those who secure the financial future of Johns Hopkins by making a life-income gift or a gift through their estate plans. To enable us to welcome you to the Legacy Society or send you additional information about becoming a member, contact the Office of Gift Planning at 410-516-7954, 800-548-1268, or legacy@jhu.edu.

A Good Time to Give Appreciated Securities

More than 100 years ago a Baltimore investor signed a will that would create the Johns Hopkins University and the Johns Hopkins Hospital. Mr. Hopkins funded his bequest with 14,636 shares of Baltimore & Ohio Railroad stock.

Today's donors often give publicly traded stock and other appreciated assets like bonds and mutual funds to support outright and lifetime gifts to Johns Hopkins, benefitting them and the institution. "For some, it may be more beneficial and cost less to donate appreciated securities than to give cash, especially under the new tax act," says Michelle Glennon, Esq., senior director of gift planning and senior philanthropic advisor at Johns Hopkins.

Glennon is referring to the American Taxpayers Relief Act of 2012 that increased capital gains tax from 15 to 20 percent for high-income households—individuals earning more than $400,000 or married couples filing jointly, $450,000. These high-income households also may be subject to an increased income tax rate of 39.6 percent. When appreciated securities are sold, capital gains tax is due on the increase in value. However, if securities are given directly to charity, donors avoid capital gains taxes and receive an income tax deduction. (Similar savings apply to households in lower income tax rate brackets.)

Signed by Johns Hopkins, this B&O Railroad stock certificate represents shares of stock Mr. Hopkins left in his will to name a new university and hospital in Baltimore.

Stock certificate courtesy of Neil Seidman and Special Collections, Sheridan Libraries

Gifts of securities can fund any purpose at Johns Hopkins, from scholarships and fellowships to research and programs. They can even fulfill pledges. To receive tax benefits for a gift of appreciated securities, the securities must be held for more than one year—and donated to a qualifying charity like Johns Hopkins. Johns Hopkins sells them immediately and uses the proceeds to support the area of Johns Hopkins designated by the donor.

Many donors also give appreciated securities to fund gifts that pay them or their loved ones income. The most popular types are charitable gift annuities and charitable remainder trusts. While the tax benefits differ from an outright gift, advantages still include a charitable income tax deduction, favorable treatment of capital gains, and removal of the asset from the donor's estate—not to mention an income stream.

Whether choosing an outright or a life-income gift to Johns Hopkins, now may be the best time to fund it with appreciated securities.

Give Securities and Save More

The chart below illustrates the tax benefits of giving appreciated securities directly to Johns Hopkins rather than giving cash. The cost basis of the stock is the price the donor paid to purchase the shares. In this example, the donor is a "high-income earner"—in the 39.6% income tax rate bracket and subject to a capital gains tax rate of 20% and a 3.8% surtax on net income.

	$10,000 cash	$10,000 stock/cost basis $5,000	$15,000 stock/cost basis $7,500
Charitable deduction	$10,000	$10,000	$15,000
Tax savings @ 39.6%	$3,960	$3,960	$5,494
Capital gains tax saved at 23.8%	$0	$1,190	$1,785
Net cost of gift	$6,040	$4,850	$7,275

Will the New Tax Law Affect You?

According to industry research, support of an organization's mission motivates most people to give, but they do want to contribute as efficiently as possible. That's why we're taking a closer look at the American Taxpayers Relief Act of 2012, which Congress passed at the start of this year. In addition to the return of the charitable IRA rollover discussed on page 2, these highlights from the legislation are good to know when considering a charitable gift.

Changes for high-income households

The maximum income tax rate increases to 39.6 percent for individuals earning over $400,000 ($450,000 for married couples). The capital gains tax rate increases to 20 percent for individuals earning over $400,000 ($450,000 for married couples). These earners may also see restrictions on itemized deductions and personal exemptions. And don't forget the Affordable Care Act; it includes a supplemental Medicare surtax of 0.9 percent on wages and a surtax of 3.8 percent on investment income for individuals earning $200,000 and more ($250,000 for married couples).

Good to know: Charitable giving may help offset tax increases. In particular, gifts of appreciated assets such as stock or real estate provide an income tax deduction and avoid capital gains tax. On the other hand, restrictions on some deductions may affect the value of charitable deductions, so be sure to consult your tax advisor.

New income threshold for AMT

Originally established in 1939, the Alternative Minimum Tax (AMT) limited exemption amounts on the very wealthy, but it wasn't adjusted for inflation. The legislation increases the income threshold for applying the AMT and creates a permanent index for inflation.

Good to know: If you previously paid AMT, it may no longer apply to you because of the higher income level. Since AMT reduced the benefits of many deductions and exemptions, receiving a deduction by making a charitable gift may be more appealing now.

Inflation for estate and gift taxes

The new law retains the current exclusion from estate and gift tax, adjusted for inflation each year. The amount for 2013 will be $5.25 million. The law increases top tax rates from 35 to 40 percent.

Good to know: With an increased estate tax rate, charitable bequests are an option for lowering or eliminating taxes on a taxable estate.

Searching for an Estate Attorney? Six questions to ask

Estate planning may not be the most comfortable topic, but it can help to ensure loved ones are cared for and to minimize adverse tax consequences, difficulties, and expenses. For these reasons, consider consulting an attorney for your estate plans. Before you do, prepare a list of questions to ask, then visit giving.jhu.edu/giftplanning to learn what to listen for in the responses.

1) What percentage of your time is spent on estate planning?

2) Do you charge for an initial consultation?

3) How do you bill?

4) Will there be a periodic review of my estate plan?

5) What will I need to do to make sure our future meetings are as efficient as possible?

6) What documents will you prepare?

PLANNING MATTERS

Planning Matters is produced two times per year by the Johns Hopkins Office of Gift Planning.

Editor:
Beth Morgen

Contributors:
Lois Brooks
Michelle L. Glennon
Heather Green
Elisabeth Koenig
Kathryn Shelton
Michael Zerolnick

Photography:
Branaham Photography
Dawnielle René Photography

Design:
Johns Hopkins University
Design and Production

With extensive backgrounds in law, finance, and banking, the professional staff of the Johns Hopkins Office of Gift Planning partners with you to achieve your philanthropic, financial, and estate planning goals, while supporting the mission of the Johns Hopkins University and Johns Hopkins Medicine.

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

410-516-7954
1-800-548-1268 (toll free)
giftplanning@jhu.edu
giving.jhu.edu/giftplanning

JOHNS HOPKINS

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

RISING
TO THE CHALLENGE

THE CAMPAIGN FOR JOHNS HOPKINS

As human beings, our challenge is to make the world a better place.
In *Rising to the Challenge: The Campaign for Johns Hopkins*, we have set out to do nothing less.
Rising to the Challenge stands as a campaign worthy of Johns Hopkins—the university and the man.
We ask that you join with us, and help us change the world. Visit rising.jhu.edu to learn how.