

Just in Time—A Guide to Giving

To Give . . .	Do This . . .	Save . . .
Cash	Give by check or other means of giving cash.	By deducting gifts up to 50% of your adjusted gross income in any one year; carry over any excess into as many as five tax years.
Securities	Send unendorsed stock certificate in one envelope and a signed stock power form in another envelope. The gift is complete on the postmarked date of the later envelope. If you do not have the stock certificate or if you are giving mutual funds, contact your investment advisor to arrange the gift.	By deducting the full current value of the stock and bypassing any capital gains tax which might be due on a sale. Deduct such gifts up to 30% of your adjusted gross income in any one year; carry over any excess into as many as five tax years.
Life Insurance	Assign a charitable beneficiary (or owner and beneficiary) of an existing or new policy.	By taking an income tax deduction if you name a charitable interest as both owner and beneficiary. Inquire for details.
Retirement Funds	<p>Over age 59½</p> <p>If you are beyond the age at which a penalty is imposed for withdrawals, notify your plan administrator that you would like to withdraw amounts sufficient to fund charitable gifts you plan to make this year.</p> <p>Over age 70½</p> <p>You can arrange for tax-free charitable gifts of mandatory withdrawal amounts or another sum you determine directly from a traditional or Roth IRA up to a total of \$100,000 per year in 2006 and 2007.</p>	<p>Over age 59½</p> <p>While you will report the amount of the withdrawal as income this year, you can be entitled to an offsetting deduction for the amount of your charitable gifts, thereby completely avoiding tax on the amount of the withdrawal. Consider giving these funds, as they may otherwise be largely depleted in the future by federal estate and income taxes when received by you and/or your heirs.</p> <p>Over age 70½</p> <p>Regardless of whether you itemize your deductions or experience other limitations on credits or deductions, amounts distributed directly to charity are excluded from your taxable income.</p>

NYD-06



Building a LEGACY

—THE ANSON PHELPS SOCIETY

Financial and Estate Planning Ideas for Friends of Phelps Memorial Hospital Center Fall 2006

Act Now For Savings This Year

As the end of the year approaches, many people take the opportunity to pause and reflect on their plans for the future. It can also be a good time to think about your charitable giving goals—not just the amount you might like to give, but what to give and when to give it as well. With careful planning, it can be possible for you to enhance your financial security and reduce your tax liability—while you also make a gift in support of your favorite charitable interests.

Now may be a good time to mark your calendar as a reminder to check with your advisors regarding your financial plans before year's end. Reviewing your personal, philanthropic, and other planning goals in a timely manner affords you the opportunity to complete gifts to your favorite charitable organizations that may help maximize tax savings for you.

Plan early

Changes in tax laws and other factors make it more important than ever for you to carefully consider the timing of this year's gifts and the assets used to complete them. For example, those over age 70½ may

be able to benefit from new opportunities to make their gifts from otherwise taxable retirement plan withdrawals. (See page 3.)

You will find that early planning can help maximize the benefits your gifts provide for you, your loved ones, and your charitable interests.

Staying on schedule

In this newsletter, we explore information that you may find especially interesting as the year draws to a close. Read on to discover surprising and welcome ways of making a thoughtful, generous, and tax-efficient gift by December 31.

We will be pleased to share additional ideas to help you complete your gift in a timely manner for maximum results.

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Year-End Checklist

- Complete all gifts by December 31 to qualify for tax savings on this year's tax return.
- Keep all receipts and acknowledgment letters, especially for gifts of \$250 or more.
- For maximum tax benefits, consider giving securities that have increased in value and that you have owned for more than a year.
- If you have sold securities this year and will be subject to capital gains tax, remember that gifts of cash or other securities may partially or fully offset any capital gains tax you may otherwise incur.

PHELPS MEMORIAL HOSPITAL CENTER

Patricia Stush • Major Gifts Officer
701 North Broadway • Sleepy Hollow, NY 10591
(914) 366-3108

Please write to us at our address if you wish to have your name removed from the list to receive fund-raising requests supporting Phelps Memorial Hospital Center.



TAX PLANNING POINTERS

- When you itemize deductions, you may deduct cash gifts of up to 50% of your adjusted gross income (AGI).
- Gifts of appreciated securities and certain other assets may be deducted at full value in amounts up to 30% of your AGI.
- Excess deductions can be used to reduce taxes in up to five future tax years.
- Property owned for more than one year may qualify for maximum tax benefits from charitable donations.
- If you are over age 70½, up to \$100,000 may be directed from Individual Retirement Accounts (IRAs) for charitable purposes.

Time Gifts And Maximize Benefits

The timing of your charitable gifts is completely within your control. For this reason, you may be interested in making charitable gifts by December 31 that may greatly increase the amount of your tax savings next April.

The convenient gift

Contributions of cash and by check are the most popular means of making charitable gifts. When making gifts of cash, it may be possible for those who itemize their deductions to eliminate tax on up to 50% of their adjusted gross income (AGI). Gifts in excess of this amount may be used to reduce taxes in up to five future tax years.

Increase in value

As you consider your gifts this fall, keep in mind that securities and many other assets that have increased in value since you have owned them are generally deductible at their full current value.

You are allowed to deduct not only what you paid for the property but also any “paper profit” or gain in the investment. As a result, you completely bypass capital gains tax. Property gifts that have appreciated in value can often be made at a lower after-tax cost than a comparable gift of cash. To be eligible, you must have owned the property you donate for more than one year. For gifts other than publicly traded securities, check with us or your advisors for additional information.

Example: George owns securities that have grown in value since he purchased them several years ago. They yield no income and he

thinks they may have peaked in value, but he is reluctant to sell them because of the capital gains tax he would owe.

He transfers the ownership of these securities directly to his favorite charitable organizations this year. In so doing, George enjoys an income tax deduction for the full value of the donated securities while completely avoiding any tax on their increased value.

George then uses cash he would have otherwise contributed to the charitable organizations to purchase investments he believes may grow in value in the future and also yield current income. As a result, he has diversified his holdings while he enjoys a new, higher cost basis. If his new investments increase in value, he will have less gain to report on a future sale. If their value decreases, he may be able to deduct his loss for tax purposes upon a sale.

Decrease in value

If any of your investments have *decreased* in value since you have owned them, you may want to sell them (thereby creating a loss you may be able to deduct) and then make a gift of the cash proceeds. This may enable you to deduct more than the current value of the investment while minimizing the financial impact of the loss.

Your advisors can assist you regarding options best suited to your specific circumstances.

New Opportunities for Giving

If you are like many, a large portion of your total assets may be held in the form of tax-favored retirement plans. Did you know that such funds may actually represent another “pocket” from which to make either an immediate or future charitable gift?

If you are over age 59½, you may be especially interested in making gifts from these accounts, which can generally be accomplished without paying an early withdrawal penalty.

Although withdrawals would be taxed as income, the charitable deduction can result in no gift, income, or estate taxes ever being due on these funds. When considering a charitable gift before December 31, you may find this to be a particularly convenient tax planning strategy.

Required to take IRA withdrawals?

If you are at least 70½ and must take unneeded taxable distributions from a traditional or Roth IRA, you may be pleased to learn of a special new provision in the law. This year and next, you are allowed to direct that all or a portion of your mandatory withdrawal amount (or another amount up to \$100,000 a year) be used to make charitable gifts on a totally tax-free basis.

If you are 70½ or older and your retirement assets are held in the form of another type of plan, such as a 401(k), you may be able to transfer them to an IRA first and then give them on a tax-free basis.

Check with your plan administrator or other advisors for more information on the best ways to make tax-favored gifts from your retirement accounts.

Avoid double taxation

Did you know that amounts remaining in retirement accounts that are left to individual heirs may be liable for both estate and income taxes? To prevent this, you may want to leave other assets to loved ones through your will and/or other estate plans so that your heirs are liable only for the estate tax, if any, on their inheritance and will not have to pay income tax on the amount received as well.

You could then direct that all or a portion of the balance remaining in your retirement account go directly to your favorite charitable interests, free of all income and estate taxes. You thereby create a significant and lasting gift while providing more for family and friends.

A practical gift

As you can see, charitable gifts of retirement plans may be structured in a variety of ways. What they all have in common is the possibility for charitable interests to benefit from retirement plan assets that will not be needed for your own financial security or that of your loved ones—without having those funds needlessly consumed by income and/or estate taxes.

Act now

Gifts from excess retirement plan assets can be among the easiest to accomplish. For more information, please contact us or your retirement plan administrator.



Caught in the AMT Trap?

A growing number of taxpayers have been surprised to learn that they owe additional taxes due to the Alternative Minimum Tax. Congress is working to reduce the number of affected individuals and couples.

In the meantime, remember that while many deductions and adjustments are ignored or added back for AMT purposes, charitable gifts remain deductible under both the regular and alternative minimum tax systems.