



THE

WILSON SOCIETY

NEWSLETTER

Fall 2004

The Wilson Society—A Family Legacy

Two doctors . . . two surgeons-in-chief . . . father and son . . . helping to nurture and guide the Hospital's growth for more than half of its existence. The accomplished lives of Dr. Philip D. Wilson and his son, Dr. Philip D. Wilson, Jr., are deeply entwined with the Hospital's history and its future. The Wilson Society honors the Wilson legacy and binds us together—as colleagues in giving—to the institution they loved and strengthened.



Dr. Philip D. Wilson, Jr.

Investing in HSS to Benefit a Family's Future

Edwin G. Roos, Wilson Society member, has established six charitable remainder trusts with Hospital for Special Surgery. He recently shared the story behind his decision to use the charitable remainder trust to make a planned gift to the Hospital.

Edwin G. Roos first came to HSS in 1977 to be treated for a ski injury. He returned to the Hospital in 1990 for surgery to repair a rotator cuff tear in his shoulder, and again in 2002, when he fractured his leg while body surfing, an activity he has enjoyed since his youth.

"I've had a series of doctor-patient contacts with HSS; and I've enjoyed their therapy, their treatment, and the doctors—they've been terrific," he commented.

In appreciation of the care he has received over the years, Mr. Roos was moved to provide philanthropic support for the Hospital. Recently, he established his sixth charitable remainder trust (CRT) with HSS. The CRT is a planned gift option that provides income to its beneficiaries for life or over a period of years. The remaining funds in the trust are transferred to charitable organizations chosen by the donor.

The CRTs Mr. Roos has established will provide annual income to each of his five grandchildren over the course of 20 years. "Through a CRT, I can make a meaningful gift to Special Surgery, which has had a tremendous impact on the quality of my life, and I can provide for my grandchildren's future."

Raised in Rockville Centre, New York, Mr. Roos graduated from Massachusetts Institute of Technology with a degree in engineering. After serving two tours of duty in Germany (World War II and the Korean War) for the U.S. Army, he returned to New York in 1952, where he began working for his father at Williams Real Estate Co., Inc., a Manhattan-based real estate firm.

Today, he is one of six partners at GVA Williams, a subsidiary of Williams Real Estate, and has said that he knows how important health-care institutions are to the vitality of New York City. "Hospitals are an integral part of this city, and HSS is at the top of the list," he remarked.

"Making a gift to HSS through the CRT has countless benefits—to my grandkids, to the Hospital, to my tax load," he commented. "There is not a better way to give."



Edwin G. Roos, Wilson Society member and ski enthusiast.

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Send for our free booklet, **Ways to Give.**

HOSPITAL FOR SPECIAL SURGERY



Charitable Planning for the Times of Your Life

Most of us tend to measure our lives in terms of milestones: graduation from college, marriage, birth of a child, purchase of a home.

Many of these events naturally serve as reminders that it may be time for adjustments in our financial plans: We might start a college-savings program when a child is born, upgrade our insurance when we buy a new home, or institute a retirement plan at the outset of a new job.

For someone with significant charitable goals, such milestone events may also signal opportunities to make plans that will enhance both personal and charitable objectives. This issue of *The Wilson Society Newsletter* takes a look at some common life situations and examines some opportunities these situations might present to the charitably minded.

CDs COMING DUE?

SITUATION: I rely on the interest from my certificates of deposit to supplement my spendable income. Some CDs I purchased several years ago when interest rates were higher are coming due, and current rates are not very attractive. Is there anything I can do to keep my income level where I want it and make a meaningful charitable gift?

An attractive option to both address the issue of supplemental income and fulfill your charitable goal is to use the proceeds of your CDs to fund a **charitable remainder annuity trust**, a special gift vehicle that makes payments to a designated beneficiary for life or for up to twenty years and then passes the remaining trust assets on to a charity for purposes you specify as the donor.

You determine the amount of the payment to the beneficiary—yourself or others you designate—when you create the trust. Since you are entitled to a charitable income-tax deduction for the present value of the charity's remainder interest, the higher the payment you select, the lower your deduction will be.

Example: *Gene and Mary, both 72, feel very secure with their assets, among which are \$100,000 in CDs. While Gene and Mary don't perceive a need to have access to the principal, the income the CDs generate does subsidize their lifestyle.*

As loyal supporters of Hospital for Special Surgery, they have expressed their desire to make a significant gift. However, they don't want to reduce their cash flow, especially since they anticipate a sizable drop in the rate they will be able to get on their CDs when they mature later this month.

After conferring with their advisors and a member of our staff, Gene and Mary decide to put the proceeds of their CDs into a charitable remainder annuity trust that will pay them \$6,000 each year, as long as either of them lives. This qualifies for an income-tax deduction of \$29,936.

In their 35% tax bracket, the deduction saves them \$10,478 in taxes. Invested at 6%, the tax savings will generate almost \$629 additional income each year, effectively increasing the total return from this plan to approximately 6.6%.

One of the most important benefits of a charitable remainder trust is that you can fund it with appreciated securities and avoid recognizing capital gain.

INSURANCE POLICY NO LONGER NEEDED?

SITUATION: Our last child has just graduated from college. It is nice to feel we have some financial "breathing room" with education bills behind us, and we would like to make a major gift to Hospital for Special Surgery. How can we do that without cutting into our current cash flow yet again?

A common strategy is to purchase insurance on the life of one or both parents to guarantee money for college. When the children's education is finished, the policy—especially one that builds up cash value—is an excellent asset with which to fund a charitable gift.

Reason: You can give the policy to Hospital for Special Surgery and take an income-tax deduction for the lesser of either the premiums you have paid or the policy's "replacement value"—approximately its cash value.

Example: *Bill and Margaret Wilson contribute a life insurance policy to Hospital for Special Surgery. Over the years they have paid \$50,000 in premiums, and it has a replacement value of \$75,000. The Wilsons can claim an income-tax deduction for \$50,000.*

This is a great way to fulfill your charitable goal without depleting available liquid resources or disrupting current cash flow. In addition, the full value of the policy is available to HSS. And, if you continue to make payments to cover future premiums, you can deduct those gifts as well.

Alternative: You might want to consider using a life insurance policy to fund a charitable remainder trust. Such a plan converts an asset that produces no income—and which, in fact, may have even required cash outgo for premiums—into a source of annual payments.

PAYING FOR COLLEGE

SITUATION: Our grandson is graduating from high school this year. When he was born, we started a stock fund that we plan to use to help with the cost of his education. We have a target amount we would like to give him each year, and the current value of the stock would let us do that. While we would like to liquidate it to protect the gain, we dread paying the substantial capital-gain tax. We would also like to make a meaningful gift to Hospital for Special Surgery but don't think we can do that until our grandson is out of school.

Over the years, investing in stock has proven to be an effective way to save for college-education expenses of family members. Historically, stocks have outpaced fixed-income investments by a wide margin and often grow even faster since capital appreciation is not taxed annually as is the ordinary income generated by fixed-income investments. The tax on stock investments is due only when it is sold—but then the tax hits all at once and can be substantial.

Wise charitable planning can allow you to keep your entire investment working to generate funds for college expenses while simultaneously addressing key charitable goals.

Assume the grandparents in the situation above—let's call them Alex and Jean—have invested \$10,000 over the years in stock that is now worth \$75,000. They want to give their grandson—we'll call him Tom—\$15,000 each of his four years in college; and if there is anything left when Tom finishes school, they would give HSS a gift.

Because the current value of the fund is sufficient to meet their objectives for Tom's education, they are tempted to sell the stock and keep the fund



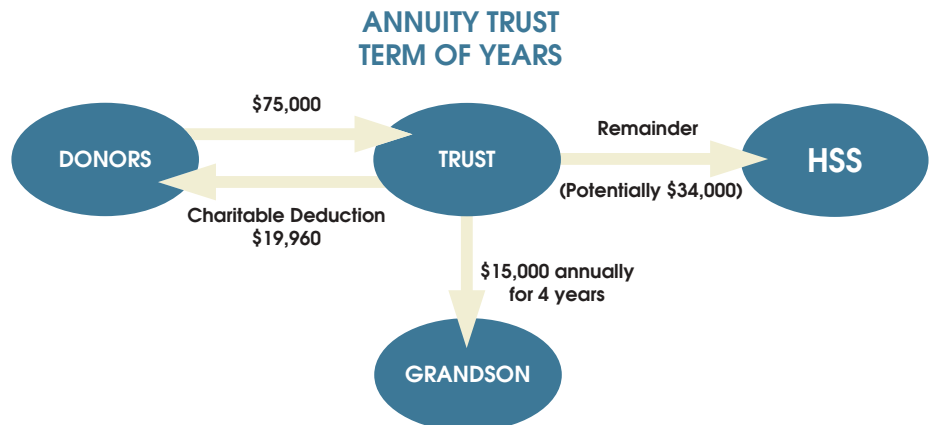
Private philanthropic support makes new medical breakthroughs possible by providing HSS scientists with valuable resources for their work. Through *Discovery to Recovery*, HSS's Campaign for Research, donors are helping basic and clinical investigators to solve the mysteries of rheumatic and orthopedic conditions that affect millions of people worldwide.

in fixed-income investments until Tom graduates. But that will produce a gain of \$65,000 and a tax of \$9,750, leaving just \$65,250 to reinvest. If they earn 6% on the proceeds and pay taxes in their combined 40% state and federal income-tax bracket, there will be approximately \$11,840 left in four years to fund their gift.

Charitable plan: They could put the stock into a charitable remainder annuity trust that would pay Tom \$15,000 each of the next four years and then pass to Hospital for Special Surgery.

Under this plan, the trustee could liquidate the stock and, since the trust is tax-exempt, not have to pay tax on the gain. This would keep the entire \$75,000 working.

If the trust earns 8% annually, at the end of four years, more than \$34,000 could pass to HSS to carry out Alex and Jean's charitable objectives. The gift would also generate an income-tax deduction of approximately \$19,960—producing more than enough savings for them to cover any taxes Tom might have to pay on payments from the trust.



TAKEOVER FORCES SALE OF STOCK

SITUATION: One stock I own is the subject of takeover rumors and has shot up in value in recent weeks. I am concerned that if the rumors prove false, the stock will drop precipitously. On the other hand, if they are true, I don't want to have to pay the tax on the substantial profit I would realize if I am forced to relinquish my stock. How can I deal with these concerns?

Takeover rumors always fuel a run-up in the price of a stock, often leaving shareholders in somewhat of a quandary about their next move. If you are considering a significant charitable gift, such stock may be a great way to fund your gift.

If you make your move in a timely fashion, you will be able to base your deduction on the stock's appreciated value.

Charitable planning pointer: Stock can be used to fund a variety of gift plans with Hospital for Special Surgery—everything from an outright gift to plans that generate payments back to you, such as the *charitable remainder trust*.

If the takeover goes through, you avoid a large taxable gain. If it doesn't and the price plummets, you still have benefited from the higher price. Either way, you win.

Caution: Timing is everything. There comes a point in the takeover process when the holders of outstanding shares are bound by the terms of a tender offer. If you still hold the stock at that point, it is too late to avoid recognition of the gain.

A charitable gift still provides you the opportunity to continue to own the stock after a takeover without having to pay capital-gain tax.

Here's how: You simply use the cash you otherwise might have used to fund your gift to reestablish your position in the company after the takeover.

We Are Here to Help

These situations provide just a sampling of the ways you can coordinate your personal and charitable plans.

To assist you with your own planning, we would like you to have a complimentary copy of our booklet, *Ways to Give*. Simply return the enclosed card or call our office.

You should consult your attorney about the applicability to your own situation of the legal principles contained herein.

The **Wilson Society** was established to recognize and thank donors during their lifetimes for providing for Hospital for Special Surgery in their estate plans. HSS invites you to join The Wilson Society and support the future of the Hospital by exploring the many planned giving strategies that are available. Please contact Sandra Kessler Hamburg, Director of Planned Giving, at (212) 606-1196 if you would like more information.



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as of October 1, 2004

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Share Your Story with Us

Have you had a life-changing experience at HSS? We want to hear from you. Please call Rachel Olszewski at (212) 606-1196 or write to us at: Hospital for Special Surgery Development Department 535 East 70th Street, Suite 850 New York, NY 10021