

THE HOPKINS PLANNER

A NEWSLETTER ON FINANCIAL, ESTATE, AND GIFT PLANNING

Dear Friends,

What does your estate plan say about you?

Are you prepared for major life changes such as marriage, the birth of children or grandchildren, or retirement? Have you provided for the people, organizations, and causes that are most important to you?

Truth is, anyone who desires financial security needs an estate plan. The specifics will change as your needs, situation, and goals change, but generally any well-designed plan will take into account the accumulation, preservation, and distribution of assets.

This issue of *The Hopkins Planner* explores ideas that you should consider as you formulate or change your estate plan. You may discover that making a charitable gift can accomplish multiple objectives, such as providing for loved ones, reducing your taxes, and helping support Johns Hopkins.

We would like to help any way we can. To receive a free booklet that will assist you in your planning, simply return the enclosed card or call our office. We look forward to hearing from you.

Sincerely,



Bernard J. Davisson II
Senior Director of Gift Planning

A Look at Your Estate Plan

You may find that your financial affairs are a fairly accurate barometer of your hopes and dreams and that just as your hopes and dreams are modified by your daily experiences, your estate planning is also a dynamic process. Any number of life's major experiences—marriage, the birth of a child, a career change, an inheritance, or even stock market fluctuations—should cause you to take another look at where you are headed with your estate planning. When you find yourself facing such events, you may need to reassess your plans.

An estate plan reflects your values.



Proper gift planning helps ensure happy memories for generations to come.

In This Issue

A Look at Your Estate Plan

Getting Started

Preparing a Plan

The Tools of Estate Planning

Send for our free booklet, *New Tax Perspectives in Estate Planning*.

Change in Maryland Estate-Tax Law

A Gift to Help Others Get the Most Out of Life



Getting Started

With your overall objectives in mind, you need to take a careful inventory of your assets before you can make wise decisions.

Surprisingly, few of us have an accurate picture of our assets. Certain things come readily to mind—the family home, savings accounts, and stocks and bonds. Other items, such as automobiles, furniture, and life insurance, are easier to think of as necessities of daily life rather than as assets of an estate.

Once you have a current, objective assessment of the value of all your assets, regardless of how obvious or obscure, you will need a realistic projection of future increases in value on which to base your planning.

Preparing a Plan

With a clear picture of your assets, you can begin to put together your estate plan. You need to think about three major stages: accumulation, preservation, and distribution.

Everyone who wants to enjoy financial security needs to have a **plan for accumulating assets**. Granted, most people give significant time to their careers and to their investment activities. A good estate plan, however, goes far beyond this single goal and gives appropriate attention to other aspects of planning.

It is just as important to develop a **strategy for preserving assets**. Careful planning for income-, gift-, and estate-tax effects is crucial for retaining assets to meet personal, family, and charitable objectives.

The third major objective is **planning the distribution of the estate** in accordance with the estate owner's wishes. Those who make the effort to plan will find this stage extremely rewarding. Knowing your assets will be distributed

*Careful
planning
can help
reduce your
taxes.*

to achieve your goals is the real payoff for all the hard work that has gone into building and preserving your estate.



A carefully planned will is your best instrument.

The Tools of Estate Planning

Undoubtedly, the cornerstone of any good estate plan is a carefully planned will. A will is a powerful document that gives you control over many important matters.

For instance, with a will you can make provisions for beneficiaries such as friends and charitable organizations. A will also gives you the opportunity to name the person who will serve as personal representative of your estate. Further, a will gives the opportunity for parents of minor children to choose a guardian should the need arise.

It is just as important to realize what a will cannot do. The distribution of some assets is determined by law. For example, property owned jointly with a right of survivorship passes automatically to the surviving joint owner. Any provisions regarding the distribution of such property in a will are ineffectual.

In addition, the passing of some assets is a matter of contract. A prime example is a life insurance policy. The policy is a contract between the policy owner and the insurance company. The beneficiary designation in the policy takes precedence over conflicting provisions in a will.

Change in Maryland Estate-Tax Law Prompts Estate-Plan Review

Under legislation passed in spring of 2004 by the Maryland legislature that became effective January 1, 2004, the Maryland estate-tax exemption amount has been capped at \$1 million, even though the federal estate-tax exemption amount increased to \$1.5 million.

Over the next several years the federal estate-tax exemption is scheduled to increase as follows:

2006	\$2,000,000
2009	\$3,500,000
2010	repeal of estate tax
2011 and thereafter	\$1,000,000

Prior to 2004, the Maryland and federal estate-tax exemptions were the same. The “decoupling” of the Maryland and federal estate-tax exemptions presents a bit of a challenge. If your estate plan provides for setting aside the maximum federal estate-tax exemption amount at the first spouse’s death (currently \$1.5 million), under the *old* Maryland estate-tax law there would have been no federal or Maryland estate tax. Under the *new* Maryland estate-tax law, your estate will be subject to Maryland estate tax because the amount that is exempt from that tax is only \$1 million. The Maryland estate tax on the differential between the \$1.5 million federal exemption and the \$1 million Maryland exemption is \$64,400.

If the federal and Maryland laws stay in effect as they are now, the tax problem will be exacerbated as the federal estate-tax exemption increases. This is because there is no scheduled increase of the Maryland estate-tax exemption of \$1 million.

The following chart illustrates how the increasing federal exemption could expose your estate to increasing Maryland estate tax in future years if your current estate plan provides for setting aside the maximum *federal* estate-tax exclusion amount at the first spouse’s death.

Year	Net Estate	Federal Exclusion Amount	Federal Estate Tax Payable	Maryland Exclusion Amount	Maryland Estate Tax Payable
2004	\$1,500,000	\$1,500,000	\$0	\$1,000,000	\$ 64,400
2005	\$1,500,000	\$1,500,000	\$0	\$1,000,000	\$ 64,400
2006	\$2,000,000	\$2,000,000	\$0	\$1,000,000	\$ 99,600
2007	\$2,000,000	\$2,000,000	\$0	\$1,000,000	\$ 99,600
2008	\$2,000,000	\$2,000,000	\$0	\$1,000,000	\$ 99,600
2009	\$3,500,000	\$3,500,000	\$0	\$1,000,000	\$229,200

Because changes in the law can occur frequently, as can your circumstances, we encourage you to review your estate plan with your advisor on a regular basis.

Residents of other states may be subject to similar taxes. Please contact an advisor in your area.



A Gift to Help Others Get the Most Out of Life

Dene Lusby's years at Hopkins were a time for "intellectual awakening; the discovery of the value of teamwork and camaraderie... and just plain good times." Now retired and living in Arizona, Mr. Lusby received his law degree from the University of Maryland in 1958 and spent the next four decades serving as an attorney for a variety of city, state, and federal agencies. The lessons learned both in and out of the classroom at Hopkins "have been invaluable throughout my life," Mr. Lusby notes.

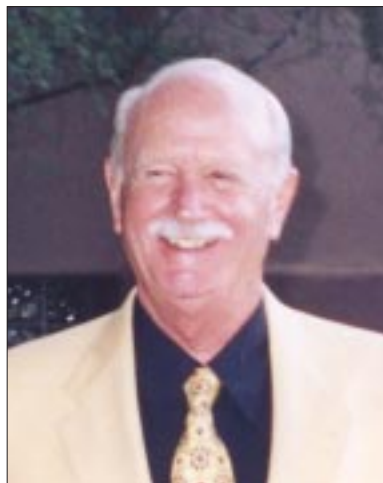
He arrived at Johns Hopkins "an intellectually curious only child of modest circumstances" and fondly recalls spending "mornings and early afternoons in the company of academic giants, devouring lectures by Sidney Painter on medieval history, George Boas on philosophy, Bentley Glass on genetics, and Earl Wasserman on the Romantic poets."

Beyond the classroom, Mr. Lusby was a member of the Blue Jays lacrosse team, as well as a brother of Alpha Tau Omega fraternity. "I can remember a thousand evenings at the fraternity house, where, for the first time in my life, I had brothers," he recalls.

The experiences and education afforded Mr. Lusby at Hopkins led him to think he'd "become the most privileged kid on the face of the earth." In giving back to Johns Hopkins through a bequest, Mr. Lusby has designated his gift to the School of Medicine's Department of Neuroscience. Moved in part by an article he read in the *Johns Hopkins Magazine* about research being done on depression, Mr. Lusby decided to create The Lusby Fund for Mood Disorders. His bequest will help fund research into the causes of depression. "There are so many people who aren't getting all they could get out of life, and this research may be able to help."



Dene Lusby, A&S 1955



Dene Lusby, 2004

We're Here to Help

We would welcome the opportunity to discuss with you how charitable planning could fit in with your estate planning. Our latest booklet, *New Tax Perspectives in Estate Planning*, explains the estate-planning process in detail. To receive your complimentary copy, just 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 HOPKINS PLANNER

Volume 11, Number 1
Spring 2005
Published by
The Johns Hopkins Institutions
Office of Gift Planning
Baltimore, Maryland 21218

For Your Information

If you have questions or desire more information on matters pertaining to topics covered in this issue, please contact:

Bernard J. Davisson II
Senior Director of Gift Planning
Stephen O. Miller
Senior Gift Planning Advisor
Michelle L. Glennon
Kathleen McNally
James J. Merlihan, *School of Medicine*
Kathryn A. Shelton
Gift Planning Advisors
Anna Maria Eades
Associate Director of Gift Planning Administration
Carol Evans-Turner
Trust & Estate Assistant
Connie Williams
Administrative Assistant
Office of Gift Planning
The Johns Hopkins Institutions
Baltimore, Maryland 21218
Baltimore: (410) 516-7954
Elsewhere: 1-800-548-1268
www.jhu.plannedgifts.org