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THE HOPKINS PLANNER

A Newsletter on Financial, Estate, and Gift Planning

Dear Friends,

Do you want to save money on your taxes this year?

Most of us do. With most of the year ahead, you have plenty of time to make the moves necessary to keep more of your wealth for yourself and your family.

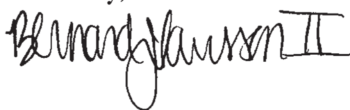
This issue of *The Hopkins Planner* features an entertaining quiz that will test your tax-planning knowledge. More important, it suggests several charitable-giving arrangements that will allow you to support Johns Hopkins, reap significant tax benefits, and place yourself in a more satisfying financial situation by December 31.

A steady parade of planned gifts helps Hopkins march on for future generations.

To assist in your planning, we would like you to have a complimentary copy of our booklet, ***Givers Guide to Federal Taxes.*** To request your copy, simply return the enclosed card or call our office.

The giving plans profiled in this issue of *The Hopkins Planner* range from simple to complex. If you have questions or would like more information, please contact us. We would welcome the opportunity to discuss with you and your advisors how a charitable gift to Johns Hopkins can help you reduce your taxes.

Sincerely,



Bernard J. Davisson II
Senior Director of Gift Planning

Personalized Illustrations: Visit Our Gift Planning Web Site

We invite you to visit our Web site, www.jhu.plannedgifts.org, designed as an educational service for alumni and friends. You may also be interested in receiving a personalized illustration of the benefits of making a particular gift. We are happy to respond to your request quickly and confidentially. To request a personalized calculation, simply click on "Request a Calculation" and complete the form. We will be pleased to assist you, with no obligation on your part.

Inside

Answer the questions and discover how you can keep more of your hard-earned money.

Do You Want to Lower Your Income Tax?

You Can! Read On to Learn How

If you are like most of us, you probably had a tinge of regret as you filed your federal income taxes this year. You may be wishing you had made just one or two key financial decisions that would have put you in a better position tax-wise.

In order to avoid having those same regrets next tax season, start your planning for 2006 right now. With most of the year ahead of you, you have the time and the flexibility to make key decisions that will pay off handsomely when April 15 rolls around in 2007.

To help you get a head start on your planning, we encourage you to take this short quiz to test your knowledge of important tax-planning issues and to identify opportunities you can use in your own planning.

How much should you withhold?

The amount of your federal income-tax withholding or estimated tax payments should be

a. Large enough to ensure a tax refund next year

b. Little or nothing—why pay until you have to?

c. Approximately equal to your estimated tax liability

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c. Approximately equal to your estimated tax liability

As nice as it is to get a big refund, if you significantly overpay the amount you ultimately owe for federal income tax, you have essentially made an interest-free loan to the government.

On the other hand, if you don't pay enough along the way, you may have to come up with a sizable amount when you file your return. Worse yet, you may be assessed penalties. Your tax advisor can help you determine how much you are required to pay throughout the year.

Look to Hopkins for the finest in medical education and care.

The best course of action is to peg your withholding or estimated payments at a level that equals your anticipated tax liability. This allows you to have current use of as much of your money as possible without incurring underpayment penalties.

When should you make deductible retirement-plan contributions?

You should make deductible contributions to tax-favored retirement plans such as individual retirement accounts, 401(k) plans, or employer-sponsored plans

a. As early in the year as possible

b. As late in the year as possible

c. Proportionally throughout the year

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a. As early in the year as possible

The deduction you generate by a contribution to such a plan is the same, regardless of when you make contributions.

True, if you wait until late in the year, you will be able to use your money longer. However, the earlier you make contributions, the longer those contributed funds will be able to grow on a tax-deferred basis. This will more than offset the benefit of having longer use of your funds.

Charitable planning pointer: Many of our friends would like to do more in a tax-favored way to secure their retirement than is possible through traditional tax-deductible retirement contributions. Some of them have found that a life-income gift to Johns Hopkins can help to bridge the gap.

Example: To supplement his traditional retirement plan, Dr. Jones, 50, decides to contribute an additional $25,000 a year to a special kind of trust called a "flip" trust, until he reaches his anticipated retirement age of 65. The trust will be

There's no debate: Proud alumni show their support through gifts.

administered so that it pays him little or no income until he reaches 65, at which time it will begin paying him 6% of its annual value. At his death, the remaining trust assets will pass to Johns Hopkins.

Assuming the trust grows at a rate of 8% per year and distributes no income to Dr. Jones during the first 15 years, the trust will grow to more than $678,000 when the payments start. This means Dr. Jones will receive almost $41,000 that first year of retirement. Over his life expectancy he is projected to receive more than $930,000 and his annual contributions to the trust will generate deductions of approximately $115,000—saving more than $40,000 in federal income tax in his 35% bracket. This plan will enable Dr. Jones to eventually distribute almost $1,000,000 to Hopkins.

How can you protect your gain in bond investments?

Your bond investments appreciated substantially as interest rates fell to record levels. Now that interest rates are on the rise, their value is slipping. One of the best ways to protect your remaining gain is to:

a. Hold on and hope interest rates drop

b. Use your bonds to fund your charitable gifts

c. Sell and hold the proceeds in a money market account

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b. Use your bonds to fund your charitable gifts

You could sell your bonds and shift the proceeds into something safe like a money market account, but a sale would trigger capital-gain tax on any of the remaining gain.

One strategic way to benefit from the full value of your bonds without paying tax on your gain is to use the bonds—instead of cash—to make your charitable gifts. You can take a deduction for their full fair-market value, but you do not have to recognize or pay tax on any of the gain.

Example: Margaret T invested $40,000 in bonds several years ago and watched with pleasure as their value rose to $55,000 when interest rates plummeted. Lately, though, she has been discouraged as their value has fallen back to $50,000.

Margaret had been planning to make a $50,000 gift to Hopkins for a special project. After conferring with her advisors and a member of our staff, she decides to contribute the bonds instead of cash. In her 35% federal income-tax bracket, the gift produces the following results:

Deductible gift	$50,000
Income-tax savings (at 35%)	$17,500
Paper gain	$10,000
Gain taxed to donor	-0-
Capital-gain tax avoided (at 15%)	$ 1,500
Total tax savings	$19,000

Should you make gifts to your family?

Each year you can give as many people as you wish up to $12,000 each—free of federal gift tax. The benefits of making such "annual exclusion" gifts include

a. Shifting the income from the assets to someone in a lower tax bracket

b. Reducing the size of your potentially taxable estate

c. Shifting future appreciation to the recipient tax-free

d. All of the above

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d. All of the above

Nearly all good financial plans include a strategy for giving assets away to take advantage of the annual exclusion from federal estate tax. Not only do such gifts remove those assets from your estate, they also remove any of their future appreciation from your estate.

As a means of optimizing a family's total tax picture, you may want to give assets that generate taxable income to family members who are in a lower tax bracket—perhaps an elderly parent or a child. If the child is 14 or older, income generated by those assets will be taxed at his or her tax rate, which is likely to be less than yours.

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

Gift Annuity Established to Honor "True Pioneer"

By Nora Koch

Evelyn Mauss was just 14 years old when she organized a junior chapter of the Women's International League for Peace and Freedom in New York City in 1929. A lifelong quest for peace, justice, and public health had begun. That same quest brought her to Baltimore, where in 1941 she received her doctoral degree at the school now known as the Johns Hopkins Bloomberg School of Public Health, and launched a scientific career dedicated to others.

Dr. Evelyn Mauss

After graduating from Hopkins, Evelyn and her husband, pediatrician Irving Mauss, moved to South Dakota, where he was stationed for the U.S. Public Health Service. There, she set up a branch laboratory of the state's health department, testing residents for syphilis and gonorrhea, and inspecting milk for farmers.

When the family returned to New York, Mauss joined the faculty at New York University's School of Dentistry, where she taught physiology for 30 years. She then consulted in science for the Natural Resources Defense Council, remained active in the Women's International League for Peace and Freedom, and worked to end childhood lead poisoning as a member of the executive committee of the New York chapter of Physicians for Social Responsibility.

Drs. Irving and Evelyn Mauss

Evelyn Mauss spent the morning of Jan. 18, 2003, passing out anti-war flyers in Manhattan; she died that day at the age of 87.

"My wife was always very socially conscious and interested in the welfare of the people of the world," says Irving, her husband of 65 years. "She was always proud of Hopkins, and it opened many doors for her. It was very important for me to make a gift in her loving memory, at a school where she had been so happy."

In honor of her passion for peace, social justice, environmental health, and women's rights, as well as her dedication to Johns Hopkins, her husband recently established a charitable gift annuity to support the work of Johns Hopkins researcher Ellen K. Silbergeld, Ph.D.

"Dr. Mauss was a true pioneer in environmental health, and her work made the essential connection between the social and environmental conditions that affect children's development worldwide," says Silbergeld, a professor of environmental health sciences at the Bloomberg School of Public Health. "The generous gift of the Mauss family will both honor and sustain her vision by supporting the work of students on the disparate burden of risks experienced by children."

Return the Enclosed Card to Learn More.

As you determine the role charitable giving will play in your plans for the coming year, you may find our booklet, ***Givers Guide to Federal Taxes,*** helpful in your planning process. To get your complimentary copy, simply return the enclosed card or call our office at 1-800-548-1268.

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