

PLANNED GIVING ADVISOR



**Baptist Health
South Florida Foundation**

BAPTIST HOSPITAL OF MIAMI • SOUTH MIAMI HOSPITAL • DOCTORS HOSPITAL • MARINERS HOSPITAL
BAPTIST CHILDREN'S HOSPITAL • HOMESTEAD HOSPITAL • BAPTIST CARDIAC & VASCULAR INSTITUTE

Planned Giving Advisory Council

Fall 2006

Critical Care Patients Get High-tech “LifeGuard”

A 54-year-old patient in critical care at South Miami Hospital is breathing with help from a respirator. His mouth and nose are covered with an oxygen mask. Machines monitor everything from his respiration rate and heart function to his blood pressure and blood oxygen level.

A specially trained nurse cares for him at the bedside. Beyond that, across town in a command center reminiscent of the Starship Enterprise, a new electronic monitoring system adds an extra layer of care for this man and other patients in critical care.

Continued on page 5



eICU LifeGuard Medical Director Loren Nelson, M.D., and Beth Willmitch, R.N., monitor a patient in intensive care.

For more information, visit the Foundation on the Baptist Health South Florida website at www.baptisthealth.net.

**Click on Foundation.
This issue of *Planned Giving Advisor* is available on the Web.**

Affluent Americans, 2006 ...Examining Their Priorities

Some 15 years ago, the United States Trust Company began sponsoring annual surveys of affluent Americans' opinions about financial issues. Those surveyed most recently, in 2005, enjoyed either an adjusted gross income of more than \$300,000 annually or a net worth greater than \$5 million. From this survey, we gained the following insights:

Relative to retirement:

- 95 percent plan to live the same way they did before retirement.
- 87 percent plan to engage in philanthropic activities.
- 57 percent plan to work part time in their retirement and 26 percent plan to start a business.
- 31 percent plan to move when they retire.
- 60 percent plan to maintain multiple residences.

One thing that stands out: a good many affluent retirees are filling volunteer board positions or other leadership roles in their communities' charities. Perhaps you have a client or two engaged in these activities.

Regarding this group's greatest financial worries and concerns:

- 81 percent believe the next generation will have a more difficult time financially than their generation.
- 77 percent are concerned that terrorism will negatively affect the economy.
- 74 percent are concerned that educational costs will rise sharply.
- 73 percent are concerned that inflation will eat away at the value of their investments.
- 67 percent are concerned that, over the next few years, taxes will rise steeply.

Continued on page 2



Affluent Americans, 2006 ...Examining Their Priorities

Continued from page 1

While these folks are somewhat comfortable with their retirement, they see a challenging future ahead for their children.

Emerging Markets ...Emerging Challenges

The next time you fill up your foreign-built luxury car at more than \$3.50 per gallon, it may occur to you that a growing global economy is making life more expensive. We learned about growing demand and limited supply forcing prices up in Economics 101.

China, India and other emerging economies are exhibiting voracious appetites for commodities — the raw materials to build and manufacture. Look at the price of steel, copper, silver, iron ore, oil, gold and cement.

Affluent respondents to the survey were reflecting an awareness of these inflationary trends with their first concern, “The next generation will have a more difficult time financially than their generation,” and their fourth concern, “Inflation will eat away at the value of their investments.”

As to the latter concern, one answer for your clients has been to invest in international and emerging market funds. Many of these markets have outperformed domestic securities in the past few years. Obviously, one way to mitigate the effects of worldwide inflation has been to invest globally.

As for the needs of the next generation, planning a few tax-wise transfers, either during lifetime or via testamentary documents, might ease some of our clients’ concerns.

With many of these affluent clients either currently involved in philanthropic work or planning to be involved, it seems logical to parlay charitable giving with intergenerational transfer techniques. That’s right: charitable alternatives.

The Ubiquitous Unitrust ...Funding for the Next Generation

When it comes to long-term security, cash flow is king. If that cash flow inflates a little over the years, so much the better.

The Charitable Remainder Unitrust (CRUT) may be the ideal “parlay” in securing the next generation while funding a philanthropic legacy. With the CRUT’s annual revaluation of trust corpus and the resulting adjustment in payments, a well-managed portfolio can

provide some inflation-proofing over its term.

Intermittent Funding

A CRUT allows additional contributions (unlike a charitable gift annuity or a charitable remainder annuity trust) at any time, permitting the donor/transferor to boost the cash flow throughout the term.

Flip Provisions

Additionally, CRUT designs, which offer net income payouts for a period of time and then “flip” to a standard format, can combine modest initial cash flow followed by more robust payments after the designated date of the “flip.”

The Case of Mr. Affluent ..“Deferred Comp” From Dad

Consider the motivations of Mr. Affluent. He is an 85-year-old widower who has a son, 55, and a daughter, 57. He’d like to take the profits from his Dodge and Cox International Fund, up 100 percent since its purchase in 2004, before a little sector rotation sees the value of the shares fall. Furthermore, he would like to leave his children a little bonus income for their retirement years — 15 years of traveling money to enhance their later years.

To this end, Dad contributes \$1 million of Dodge & Cox market value (\$500,000 basis) to a Charitable Remainder Unitrust designed to pay 5 percent annually, split equally between his two children for a term of 20 years. Since both plan to work about five more years, the plan pays net income for the first five years and then “flips” to a standard payout thereafter.

Assuming 7.65 percent average annual returns in the trust, this plan illustrates the following:

Year*	Principal	Payments to Beneficiaries	Total Payments
2**	\$1,036,742	\$20,579	\$ 33,840
6	\$1,318,425	\$64,217***	\$166,839
10	\$1,464,046	\$71,310	\$441,207
13	\$1,583,722	\$77,139	\$666,693
16	\$1,713,162	\$83,445	\$910,611
20	\$1,902,404	\$92,661	\$1,267,130

Not all years shown.

***2 percent net income from portfolio dividends paid out.*

****Income increase due to “flip” to standard 5 percent payout.*

Tax Deductions

Our donor receives \$370,000 in charitable income tax deductions that may save almost \$130,000 in federal income taxes, depending upon his tax

Continued on page 3



bracket. He also avoids \$500,000 of taxable capital gain. Additionally, he gives \$1.27 million of “traveling” money to his children over the next 20 years and leaves \$1.5 million to his favorite charities.

It should be noted that our donor makes a taxable transfer to his children of \$628,000, the present value of the stream of income (\$1 million transfer minus \$371,807 present value of the charitable remainder or tax deduction). This discount will help reduce Mr. Affluent’s estate taxes. (These calculations were made using an AFR of 5.8 percent).

**Charitable Gift Annuity (CGA)
...Leveraging the Annual Exclusion**

In addition to Mr. Affluent’s deferred gifts to his children via a CRUT, consider this: At age 85, a gift annuity would provide 9.5 percent annual cash flow. Taking \$250,000 of that Dodge & Cox International Fund (\$125,000 basis) and funding a CGA could accomplish the following:

1. Mr. Affluent avoids a \$125,000 capital gain while locking up his profits.
2. He generates an immediate income tax deduction of \$135,990 (at 6.0 AFR), which in his 35 percent bracket saves nearly \$48,000 in taxes.
3. The \$23,750 annual cash flow is enough to fund annual exclusion gifts to his two children.
4. He creates a testamentary endowment at a local charity, fulfilling his philanthropic goals.

**Remainder Unitrust for Kids
...Lead Unitrust for Grandkids**

Mr. Affluent parlayed his philanthropy into providing income to his children. Now let’s focus on his grandchildren. Before making that case, let’s get more specific about Mr. Affluent’s estate position. Assume that Mr. Affluent’s estate was \$7.5 million. After moving \$1 million to the CRUT discussed above, the estate now stands at \$6.5 million.

Mindful of the dreaded generation-skipping tax, Mr. Affluent would like to pass about \$2 million to his grandchildren. They are currently in their late 20s, not the age of reason as far as Grandpa is concerned. Mr. Affluent believes that comes at about age 45, after a few years of career development, parenting and other milestones.

If he defers his legacy to the children by using a 6 percent Charitable Lead Unitrust with a 20-year term, Mr. Affluent accomplishes the following:

Continued on page 4

Congratulations to New Founders



Founders are benefactors whose cumulative gifts or pledges to Baptist Health South Florida Foundation have reached \$50,000. With a pledge of \$50,000 or more, individuals join the Founders Society and fellow philanthropists in helping to advance medical excellence at Baptist, Baptist Children’s, South Miami, Doctors, Homestead and Mariners Hospitals, Baptist Cardiac & Vascular Institute and Baptist Outpatient Services.



- Geraldine & Manuel Anel**
- Marlene & Sergio Artigues**
- Patricia & John Brockway**
- Carmen & Gerardo Capo**
- Rosemarie & Rene Caro**
- Jeanine Goodstein-Cole & Geoffrey Cole**
- Jose Costa III**
- Marielena & Tony Costa**
- Blanche & Alfonso Cueto**
- Sally & Thomas Davidson**
- Mary & Scott Farmer**
- Isabel & Antonio Fraga Sr.**
- Monique & Orlando Garcia**
- Alina & Antonio Gonzalez**
- Alina & Reinaldo Hernandez**
- Lola & Donald Jacobson**
- Amy & George Joseph**
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- Carolina & Mariano Macias**
- Mercy & Tomas Mesa**
- Adrienne & Paul Mittertag**
- Judy & Frank Paige**
- Claudia & Alan Potamkin**
- Pam & Jim Puente**
- Mariana Quirch**
- Lucy & John Yanopoulous**

For additional information on membership or a brochure, contact Stephen J. Parsons, CFRE, vice president and chief development officer, at **786-596-5411**.



Affluent Americans, 2006 ...Examining Their Priorities

Continued from page 3

The taxable transfer is reduced from \$2 million to \$602,888, a discount of \$1.4 million. The estate tax calculations change as follows:
(assumes death in 2008)

	Lead Trust	No Lead Trust
Estate	\$6,500,000	\$6,500,000
- Costs @ 2 percent	\$ 130,000	\$ 130,000
+Taxable Gifts (Unitrust for kids)	\$ 630,000	\$ 630,000
- Lead Trust Deduction (5.8 AFR)	\$1,397,112	0
Taxable Estate	\$5,602,888	\$7,000,000
Estate Tax after Unified Credit	\$1,621,300	\$2,250,000
Benefits:		
Total to Family (current + deferred)	\$5,523,155	\$4,120,000
Total to Charity (7.65 percent performance)	\$2,816,199	0
When we add in the CRUT		
Total to Family (current+deferred)	\$6,627,369	
Total to Charity	\$4,769,088	

All this goes to make the case:

TWO UNITRUSTS ARE BETTER THAN ONE.

Well, there's probably more planning to do here, but Mr. Affluent is off to a good start.

Keeping Alert to Planning Opportunities ...With an Appreciation for Appreciation

Show us a client with highly appreciated holdings and we'll show you a possible candidate for charitable income planning. With that in mind: What's been running up in price lately?

1. Real Estate

The last five years have been a proverbial "sellers" market. Finally, this red-hot asset class is beginning to moderate. Higher interest rates are having an impact. Some of your clients may be seeking a tax-wise exit plan, especially on the rental real estate side. Unlike the sale of a qualified personal residence, where substantial capital gains exclusion exist, the

sale of rental property offers no exclusion, a 25 percent federal tax rate on accumulated depreciation deductions and a gain amplified by years of such deductions.

2. Certain Sectors of Securities

A. International and Emerging Markets

We started this newsletter discussing how these funds have outperformed domestic securities lately. A weakening U.S. currency, trade imbalances, outsourcing of manufacturing and services jobs to leverage the lower labor costs of developing nations are fueling worldwide growth. Many international stock funds and emerging market funds have enjoyed more than 50 percent appreciation over the past 12 months.

B. Commodity/Basic Material Stocks

Also mentioned earlier, the competition for the raw materials of industry around the world has fueled a boom in commodity stocks.

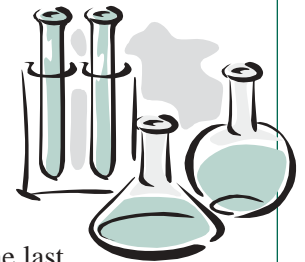
C. Energy/Oil and Gas Stocks

We don't have to tell you that the oil companies and their service providers have done well lately.

D. Select Technology Stocks

In the technology area, some medical, biotech, semiconductor and Internet service and information providers did well.

Just in case you are wondering what stock enjoyed the largest percentage price appreciation in the last 12 months, it was Pegasus Wireless Corp/PGWC — up 1,690 percent for the period. If you have a client who is a Pegasus executive, you need to talk tax planning!



In Summary

As a financial professional, it makes sense for you to stay abreast of strong market performers. This is especially true for businesses that are headquartered in your area. With the popularity of stock options in today's employee benefit programs, a local success story may mean abundant planning opportunities for many of your clients.

Let us know if we can help. We are happy to assist in preparing gift-planning techniques and/or illustrations. Contact Christopher Kraus, assistant vice president and planned giving officer, Baptist Health Foundation, by e-mail at plannedgifts@baptisthealth.net, or call **786-596-6776**. We look forward to bringing you the best and brightest in charitable gift-planning strategies.



Critical Care Patients Get High-tech “LifeGuard”

Continued from page 1

Baptist Health’s eICU LifeGuard is the second around-the-clock electronic critical care monitoring system in Florida installed by VISICU at a first-year cost of \$8.5 million. Studies have shown that such high-tech monitoring reduces cardiac arrests, medical complications and the length of stay in critical care, and improves patient satisfaction.

The command center is staffed by experienced critical care nurses and intensivists. Epe Dominguez, R.N., a nine-year critical care nurse at South Miami Hospital, sits in the Doral command center at one of 10 identical work stations. Ms. Dominguez is surrounded by six towering flat-screen computer monitors. On one screen, she zooms in on real-time video of a patient in a critical care bed at South Miami Hospital. Another monitor shows the patient’s EKG, blood pressure, respiration rate, blood oxygen level and other vital data. Still another screen details a virtual medical history of the patient. “To find this information you’d have to look in six locations in the patient’s medical record — and here it is, all on one screen,” marveled Loren Nelson, M.D., eICU medical director and critical care specialist for 25 years.

This system provides an additional safety net for critical care patients that isn’t available with traditional monitoring. Even the most subtle changes in a patient’s condition can be detected before they result in significant problems. The eICU software is designed to pick up subtle shifts in a patient’s condition and make “smart alerts” when necessary. The computer can be specifically programmed for each patient.

“I think this is going to change the way we deliver critical care,” Dr. Nelson said. One big thing eICU will not do is change the ratio of bedside nurses to patients. The standard will remain one nurse to two patients. Nor will it invade patient, family or employee privacy, since the video and two-way audio are real-time only and have no capability to record. The video and audio system is turned on in three situations only:

- The bedside nurses request it by phoning eICU or pushing an “elert” button in the patient’s room.
- During eICU’s “virtual rounds” — typically a 90-second assessment that occurs hourly, or every two or four hours, depending on the patient’s condition.



- When the eICU clinical data indicate a possible problem with the patient.

What eICU will do is relieve and assist the bedside nurses and improve patient safety and satisfaction, said Beth Willmitch, R.N., eICU operations director and a longtime Baptist Hospital critical care nurse turned IT specialist. Critical care nurses staff the command center 24 hours a day, and intensivists are present from 7 p.m. to 7 a.m. daily and on weekends and holidays.

Research published in the *Society of Critical Care Journal* found a “drastic reduction” in cardiac arrests and fewer medical complications with the use of electronic ICU monitoring, Ms. Willmitch said. Also documented were a 27 percent reduction in mortality and a 14 percent reduction in the length of stay in ICU.

South Miami Hospital went online first and eICU LifeGuard now is monitoring patients at Baptist Hospital, Mariners Hospital and Doctors Hospital as well. Homestead Hospital will join eICU when the new hospital opens in early 2007.

41st Annual Heckerling Institute on Estate Planning

January 8-12, 2007

Orlando World Center Marriott Resort & Convention Center

Information: 305-284-4762 or
www.law.miami.edu/heckerling



Hospital Happenings

Baptist Health, its hospitals, physicians and staff have been recognized numerous times during the past year:



■ Baptist Health received the Platinum Award as one of “The Best Employers for Healthy Lifestyles” from the National Business Group on Health.

■ *Fortune* magazine named Baptist Health among the “100 Best Companies to Work for in America” for the sixth time.

■ Baptist Health has been named one of the top 25 healthcare systems in the nation by Total Benchmark Solution, a national clinical quality benchmarking company. The award honors Baptist Health for outstanding quality measures.

■ The National Business Group on Health awarded Baptist Health its President’s Best in Class Award for outstanding performance and overall excellence in comprehensive health improvement for the Wellness Advantage program. The program motivates Baptist Health employees to make healthful choices.

■ *Working Mother* magazine named Baptist Health one of the “100 Best Companies for Working Mothers” for 2006. *Working Mother* cited Baptist Health for its flexibility, family-friendly programs and opportunities for career advancement.

■ Baptist Hospital received the “Consumer Choice Award” as most preferred hospital in Miami by the National Research Corporation (co-winner for 2006).

■ **Barry T. Katzen, M.D.**, medical director of Baptist Cardiac & Vascular Institute, has received the annual Gold Medal award of the Cardiovascular and Radiological Society of Europe. Dr. Katzen is the first American to earn the honor, which is the society’s highest distinction. He was recognized for his ground-



Barry T. Katzen, M.D.

breaking work in interventional radiology and placing stents in major vessels outside the heart. “Dr. Katzen’s distinguished contributions to our profession, both in the United States and worldwide, are widely recognized,” said Johannes Lammer, M.D., the society’s president, when presenting the award.

■ Baptist Health President and CEO **Brian E. Keeley** has been named Honorary Counsel General by the government of St. Kitts and Nevis upon the recommendation of Prime Minister Dr. Denzil Douglas.



Brian E. Keeley

Mr. Keeley also was appointed as a member of the Cayman Islands Health Services Authority Board of Directors by Anthony Eden, minister of health and human services for the Cayman Islands. “Our dedication to quality medical care extends beyond South Florida, and we’re pleased to provide services to those throughout the Caribbean and Latin America,” said Mr. Keeley.

Charitable Gift Annuities Program



Should you or your clients be interested in the tax benefits and guaranteed lifetime income of a charitable gift annuity, please consider the financial strength of Baptist Health. For a free, no-obligation and confidential proposal, contact Christopher Kraus, director of gift planning, at **786-596-6776**.



Fundraising Programs

Baptist Health South Florida Hospitals

Baptist Health South Florida Foundation raises funds to help maintain and improve the quality of healthcare in the communities served by our hospitals. Listed below are several fundraising projects. If you would like to help, please call Christopher Kraus or Stephen J. Parsons, CFRE, at the Foundation office at **786-596-6535**.

Center for Excellence in Nursing – Baptist Health South Florida

The Center for Excellence in Nursing includes all Baptist Health South Florida hospitals and facilities. Donations help educate, train and develop the nursing staff, support nursing scholarships and improve patient care with nurse-approved equipment and programs.

Cancer Treatment with Tomotherapy – South Miami Hospital

The Tomotherapy Hi-Art System is the most advanced cancer radiation treatment available, delivering precise radiation to tumors while minimizing damage to surrounding tissues. It is the only radiation system with an on-board CT scanner capable of visualizing the treatment site in a three-dimensional mode. For more information, call Karl Cetta at South Miami Hospital Foundation at **786-662-8206**, or e-mail karlc@baptisthealth.net.

Baptist and South Miami Hospital Emergency Center Expansions

Bigger, better emergency centers streamlined for the 21st century, featuring swift, high-tech care and state-of-the art technology, are under construction or being planned at Baptist Hospital and South Miami Hospital. Construction on Baptist Hospital's multi-million-dollar ER and hospital expansion began earlier this year and the opening is projected for 2008. South Miami Hospital is planning a major expansion and renovation of its emergency department.

Baptist Cardiac & Vascular Institute

Heart disease and stroke continue to be the nation's leading killers. For more than two decades, Baptist Cardiac & Vascular Institute has taken a pioneering role in caring for people with health problems related to the heart and circulatory system. The Institute has built a neurointerventional angiography suite to treat stroke and other neurological conditions. This suite supports the Stroke Program at Baptist

Hospital's Neuroscience Center. Support for the Institute may be designated in a variety of areas. Naming opportunities are available.

Baptist Children's Hospital

Families with children who are undergoing treatment for cancer are devastated, both emotionally and financially. A special fund provides support to needy families to assist with housing, transportation, access to a child psychologist and other services. The fund also supports the camps, reunions and holiday events that are an important part of the child's (and the family's) healing process. Various levels of giving are possible.

Doctors Hospital

The latest addition to the Baptist Health network, Doctors Hospital has reintroduced itself as the premier, not-for-profit hospital in Coral Gables. Doctors' all-star roster of physicians includes specialists in sports medicine, orthopedics, neurosurgery and gynecologic oncology. For more information, contact Barbara Norland at Doctors Hospital Foundation at **786-308-3577**, or e-mail barbarano@baptisthealth.net.

Mariners Hospital – The William E. Chasteen Scholarship Fund

The William E. Chasteen Scholarship Fund was created in 2000 by Upper Keys residents Tom and Dale Chasteen in memory of their father. This scholarship is used to fund continuing professional education or training for employees of Mariners Hospital. The Chasteens continue to match donations to the scholarship fund. For more information, contact Wendy Gentes at Mariners Hospital Foundation at **305-434-1665**, or e-mail wendyrg@baptisthealth.net.

A New Homestead Hospital

The "hospital of the future," opening in early 2007, will bring the latest equipment and services — including high-speed, wireless Internet technology — to the growing south Miami-Dade community. Baptist Health is completing construction of the 120-bed hospital and an adjacent medical office building east of the Florida Turnpike on the north side of Campbell Drive. The 300,000-square-foot, \$100-million-plus hospital will feature private patient rooms, an Emergency Center triple the size of the existing one, the Betty Jane France Pediatric Department, called Speediatrics, and an urgent care center. The hospital also will offer expanded outpatient diagnostic and surgery services. For information about donor opportunities at the new Homestead Hospital, call Tom Schramm at **786-243-8531**, or e-mail thomassc@baptisthealth.net.



News and Moves

■ **Benjamin D. Bohlmann, CPA**, partner at Miami-based accounting firm Mallah Furman, has been elected president of the Greater Miami Tax Institute. As president, Mr. Bohlmann hopes to increase membership, attract younger members and add to the value and services the Institute provides its members. The Institute currently has more than 50 members, including attorneys, CPAs and CLUs.



Benjamin D. Bohlmann, CPA

■ **Xavier Martinez** has been appointed vice president of business development for the investment firm of Fiduciary Trust International of the South. Mr. Martinez's responsibilities will include client development and building new investment and trust relationships with individuals and families. Mr. Martinez brings to his new position over 10 years of experience.



Xavier Martinez

■ **Linda M. Scott** has joined the staff of the American Committee of the Weizmann Institute of Science as the Director of Development, Florida Region. Ms. Scott will focus on major philanthropic gift planning and endowments to support the the Weizmann Institute in Rehovot, Israel. Ms. Scott also serves on the Board of the Planned Giving Council of Miami-Dade County, the ALS Recovery Foundation and the Miami Metro Zoo 2006 Planning Committee for Feast with the Beasts.



Linda M. Scott

■ **Gene C. Sulzberger**, of Mellon United National Bank, has been appointed to the board of Mount Sinai Medical Center Foundation. Mr. Sulzberger is a vice president and senior director with Mellon's Private Wealth Management division.



Gene C. Sulzberger

Congratulations Corporate Partners

The Corporate Partners program is a cooperative effort of community leaders and businesses dedicated to helping Baptist Health South Florida provide personalized healthcare with the latest medical technology and finest staff. Through the generous contributions from these companies, Baptist Health can continue to enhance medical services in our community.

Titanium \$50,000+

Bovis Lend Lease
Pharmed Group
Radiology Associates of South Florida, P.A.

Platinum \$30,000-\$49,999

AIG VALIC
Johnson & Johnson Family of Companies
Siemens Med-Lab
Siemens Medical Solutions

Gold \$25,000-\$29,999

Bank of America
Cardinal Health
Critical Care Newborn Services
MGE Architects
Pollack & Rosen, P.A.
Sodexo Healthcare Services
SunTrust

Silver \$15,000-\$24,999

American Medical Response
Ark Asset Management
Bermello, Ajamil & Partners
Countrywide Home Loans
Eastern Medical Courier
Falk, Waas, Hernandez, Cortina, Solomon & Bonner, P.A.
ProAssurance Corporation
Regions Bank
Royal Caribbean International & Celebrity Cruises
St. Jude Medical
Tri-City Electric Co., Inc.
Wicker, Smith, O'Hara, McCoy, Graham, & Ford, P.A.

Bronze \$10,000-\$14,999

Arellano Construction Company
BellSouth Telecommunications
Bridgewater Associates, Inc.

CGI-AMS

Clean Image Corporation
Coconut Grove Bank
First National Bank of South Miami
Hill-Rom
J. & W. Seligman & Co.
Medquist, Inc.
Nicholas-Applegate Capital Management Co.
Skanska, USA
Stearns, Weaver, Miller, Weissler, Alhadeff & Sitterson, P.A.
Trane
Turner Construction
U.S. Surgical
VISICU

For more information, contact Nancy Cedeño, corporate relations manager, at **786-662-4846**.



Pension Protection Act of 2006 Emphasizes Charitable Giving

By Hank Raattama of Akerman Senterfitt and Paul Soulé of Paul Soulé Enterprises, Inc.

On Aug. 17, President Bush signed into law the Pension Protection Act of 2006 – H.R. 4. In addition to reforming the already complex rules for pension plans, H.R. 4 contains reforms for exempt organizations (those described in Section 501(c)(3) of the Internal Revenue Code) and a few charitable giving incentives. While the incentives expire at the end of 2007, the reforms are permanent.

The following merely touches on the incentives and reforms that seem to have the widest interest. It is not intended to be a complete examination or discussion of the law. If readers have an interest in any of the provisions mentioned here, they should follow up with their tax advisor.

Reforms

Life Insurance Contracts – An exempt organization must report to the IRS its ownership interest in certain life insurance contracts. Any exempt organization that holds such an interest needs to check the provision.

Private foundation initial excise taxes are doubled. The tax on “managers” of private foundations and public charities is also doubled if the organization engages in a prohibited transaction.

Façade easement requirements are enhanced and taxpayers are required to include an appraisal, pictures and \$500 fee with the tax return on which a façade easement charitable deduction is reported.

Taxidermy deductions are limited to the cost of the stuffed object. Under previous law, the deduction was fair market value of the object. It appears that some donors tried to deduct the cost of safaris.

Clothing and household goods donated to a charity do not qualify for a deduction unless the items are in “good used condition.” Also, the IRS can deny by regulation a deduction for items of nominal value. This is one of the several provisions that grant the IRS authority to write the law.

Contribution Record Keeping – Donors must have a bank record or acknowledgment from the donee in order to deduct any cash contribution. Under previous law, this was not required for contributions of \$250 and less.

Accuracy-related penalties are increased. A taxpayer is subject to a penalty if the value of a charitable contribution is substantially overstated on an income

tax, gift tax or estate tax return. The threshold for imposing the penalty is lowered (in other words, you must be more accurate) and the “reasonable cause” exception is restricted.



Hank Raattama



Paul Soulé

Appraisers and Appraisals – A contribution of certain property requires an approval. Appraisals by qualified appraisers are now required in order to claim an income tax deduction. There are also new penalties for appraisers and a specific definition of a qualified appraiser.

The unrelated business income tax return (Form 990T) now must be disclosed to the public in similar fashion to the required Form 990.

Exempt Organization Notice Requirements – Public charities with less than \$25,000 of gross revenue are not required to file returns, but now are required to send a notice to the IRS each year — the so-called “post and provision.” IRS enforcement of this provision will be a challenge.

State officers may now receive tax information about charities from the IRS. The permitted information includes deficiency notices, revocation of exempt status and refusal to grant tax-exempt status.

Donor-Advised Funds and IRC 509(a)(3) Supporting Organizations – There are pages of new rules and taxes. Anyone involved in either a donor-advised fund or a supporting organization should follow up on these rules.

Credit Counseling Exempt Organization – There are several pages of new law applicable to exempt organizations that provide credit counseling services.

Incentives — Effective 2006 and 2007

Tax-Free IRA Rollover for Charity – If you are 70 years old (not the year in which you attain age 70), your IRA can be used to make up to a \$100,000 direct distribution to a public charity and you may exclude,

Continued on page 10



Pension Protection Act of 2006 Emphasizes Charitable Giving

Continued from page 9

but not deduct, the distribution from your income. You may not, however, receive any benefit from the charity (e.g. lunch). The new law does, however, greatly simplify charitable contributions from IRAs during a philanthropist's life.

S Corporations – A shareholder of an S corporation that makes a charitable contribution of appreciated property may now only reduce stock basis by a pro rata share of the basis of the property, not the fair market value.

Food and Book Inventory Contributions – The enhanced deduction for certain gifts of book and food inventory is extended to 2007.

Conservation Contributions – The 30 percent of adjusted gross income limitation and five-year carry-over rule is increased to 50 percent and 15 years for contributions of property for conservation purposes. The percentage limitation is increased to 100 percent (in other words, no percentage limitation) for farmers and ranchers.

Circular 230 Notice: This memorandum is not tax advice. Accordingly, any discussion of U.S. tax matters is not intended or written to be used, and cannot be used, by anyone for the purpose of avoiding U.S. tax-related penalties.

MARK THESE DATES

- December 9** Mariners Hospital 5K Walk/Run for Wellness. (For more information, call Wendy Gentes at **305-434-1665**.)
- January 18** Baptist Health Foundation Donor Appreciation Dinner. (For more information, call Lori Elsbree at **786-596-8954**.)
- January 27** Mariners Hospital Bougainvillea Ball. (For more information, call Wendy Gentes at **305-434-1665**.)
- March 17** The 47th Annual South Miami Hospital Mercury Ball. (For more information, call Sheila Banks at **786-662-5222**.)
- April 11** Third Annual Doctors Hospital Luncheon. (For more information, call Sheila Banks at **786-662-5222**.)
- April 20-22** Lucerne-Gossman Memorial Backcountry Fishing Competition. (For more information, call **786-243-8112**.)
- April 28** Baptist Children's Hospital "Once Upon a Time" Ball. (For more information, call Lori Elsbree at **786-596-8954**.)



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85	9.5%	\$4,750	\$27,310.00
90	11.3%	\$5,650	\$29,463.00

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To calculate the benefits of a charitable gift to Baptist Health, visit the Baptist Health website at www.baptisthealth.net, click on Foundation, click on Planned Giving Calculator. This handy tool allows you to calculate the benefits of a planned gift of your choice at your convenience.

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PLANNED GIVING ADVISOR

Volume 13, Fall 2006

Planned Giving Advisor is published periodically by Baptist Health South Florida Foundation to inform our friends and advisors about ways in which planned giving assists the hospitals and the communities they serve. It is mailed at no charge to select planned giving and estate planning professionals, donors and physicians. Comments, articles and suggestions for future topics are welcome. Please submit them online to plannedgifts@baptisthealth.net, or to the attention of Elaine Ames at Baptist Health South Florida Foundation, 8900 N. Kendall Drive, Miami, FL 33176, 786-596-3572.

Please write to us at HIPAA Opt-Out, Baptist Health South Florida Foundation, 8900 N. Kendall Drive, Miami, FL 33176, if you wish to stop receiving fundraising requests supporting the hospitals and services of Baptist Health.

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For further information, contact Christopher Kraus, assistant vice president and planned giving officer, or Elaine Ames, planned giving coordinator, at plannedgifts@baptisthealth.net, or call **786-596-6535**.



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