Children's National Medical Center

The Guardian

Estate and Gift Planning Ideas • Spring 2013

Annual supporter and Guardian Society member Laurel Cornish

Thank You!

We want to thank all of you who responded to our 2012 survey. Your feedback is important and will help us plan future issues.

Sharing What You Have

A Cherished Family Value

Serving and sharing have always been part of Laurel Cornish's life, and she currently knits and crochets blankets and jackets for the Neonatal Intensive Care Unit (NICU) at Children's National Medical Center. Growing up on a Minnesota farm, Laurel adopted an attitude of giving that was modeled by her parents. "You shared what you had," she said.

Laurel spent her career working for the federal government, where she was a secretary for the Navy, worked for the Post Office, and worked in the Department of Education—37 years of federal service in all. She also took some time away from work to raise her family.

Her fondness for Children's National goes back many years. "I learned about the hospital shortly after I moved to Washington, DC, in 1954 through Bill Gold's fundraising column in *The Washington Post* (later written by Bob Levey and now John Kelly). That's how I learned about Children's National and their philosophy of treating a child without regard to a parent's ability to pay."

When one of her grandchildren was treated for a heart problem, it was days before anyone ever asked about insurance. That's when Laurel knew that she wanted to support Children's National. Thankfully, her grandchild recovered fully. One way Laurel demonstrates her support is through an IRA Charitable Rollover gift. "I love the simplicity of the IRA Charitable Rollover and I don't have to worry about my income tax forms." See page 3 for details on the IRA Charitable Rollover.

We are grateful for Laurel's commitment and generosity. Gifts like hers make it possible to continue our vital research and service to children and their families.

Visit us on the web at:

WWW.CHILDRENSNATIONAL.ORG/GIFTPLANNING

Make the Most of Retirement Assets

A retirement plan distribution is generally taxable in the year you receive it. In 2013, the marginal tax rate on income can be as high as 39.6 percent. Plus, your state and/or local income taxes likely apply to the distribution as well. It is clear that income taxes can pose a real problem even after years of saving.

If you leave money in a retirement plan to loved ones, these income taxes still apply whenever the funds are distributed. If your estate is taxable under federal and/or state laws, further depletion of assets can occur. These combined taxes can take a toll on retirement accounts and the after-tax amount heirs receive—hardly the reward you might expect from years of hard work and sacrifice. For those who desire to support our work, however, retirement plan assets can play an effective role in gift and estate planning.

Why Make a Gift of Retirement Plan Assets?

From a tax point of view, retirement assets carry a heavier income tax burden than other assets. So proper planning can provide important tax relief.

With a tax-deferred retirement account such as a 401(k), 403(b), or traditional IRA plan, you avoid paying federal income taxes (1) on your contributions paid into the plan and (2) on the investment earnings inside the plan while the account is building. However, taxes must be paid when a distribution from the plan is received. If these assets are left to non-spousal heirs, they are subject to income tax and perhaps estate tax—a potential reduction that could be up to 60 percent!

An alternative: Leave tax-deferred retirement assets to a qualified charitable organization. Give tax-advantaged assets, such as stocks and real estate, to your heirs.

Example: Constance wants to provide for both her daughter and Children's National through her estate plan. She has $100,000 in an IRA and stock valued at $100,000. The stock was purchased 16 years ago for $20,000. The following shows why it might be preferable for Constance to leave the stock to her daughter and the IRA to Children's National.

$100,000 IRA to Child

- Child pays tax on every distribution
- Distributions taxed as ordinary income (if estate taxes apply, a potential reduction up to 60 percent!)

$100,000 In Stock to Child

- Child pays no federal income tax when she receives the stock
- If she sells the stock, child pays capital gains tax only on amount of the sale price that exceeds the stepped-up basis

If Constance leaves the IRA to Children's National, we receive the full value of the asset because no income tax is due since we are a charitable organization. Constance achieves her goals while maximizing the gift we receive and maximizing the assets left to her daughter.

How to Donate Retirement Assets

An easy way to make a gift of retirement assets is to name Children's National as a beneficiary of your 401(k), 403(b), or traditional IRA. **The beneficiary designation determines who ultimately owns your retirement account, not the provisions in your will.**

1. Decide which retirement plan you will use: 401(k), 403(b), traditional IRA, or all three.
3. Decide to name Children's National as the primary, partial, or contingent beneficiary *and* the dollar amount or percentage you want us to receive.
4. Contact your plan administrator to complete the simple form.
5. Notify Children's National of your gift so we may thank you and welcome you to The Guardian Society.

The tax ramifications of retirement plan distributions are complex, and action should not be undertaken without consulting your own professional tax advisors. We will be happy to help you explore how you can reduce taxes and leave more to your heirs and favorite charities with careful planning. It could be a very wise investment of your time and a real benefit to the children and families we serve.

Another Option: The IRA Charitable Rollover

If you:

1. Are a supporter of Children's National Medical Center and
2. Own a retirement account and
3. Are or will be 70½ or older this year,

you should consider the IRA Charitable Rollover. You can direct a qualified distribution from your IRA directly to Children's National. You pay no federal income tax on the distribution and there is no income tax charitable deduction. Your gift makes an immediate impact on pediatric health care.

You can transfer more than your required minimum distribution amount (up to $100,000) in 2013 and still pay no taxes on the distribution. Contact us for more information about this opportunity that is set to expire (under current law) at the end of 2013.

The American Taxpayer Relief Act of 2012 affects taxpayers in a variety of ways. Please contact us if we can provide more information about planned giving options—including the IRA Charitable Rollover—that can be useful in your planning.

"Unlike creating a will, I did not need an attorney to list Children's National as a beneficiary on the forms for my pension plan. It was that easy."

Karel Kidwell, Guardian Society member

Children's National
Medical Center

The Guardian Society

recognizes the very special people who have included Children's Hospital Foundation in their wills and other estate gifts. Through their forethought and generosity, they will help to ensure world-class care, advocacy, research, and education at Children's National through a lasting legacy.

To learn more about making a legacy gift or to let us know that you have already done so, please visit our website or contact Rita Corwin.

Our Tax ID is #52-1640402.

Rita S. Corwin
Director, Gift Planning

Children's Hospital Foundation
801 Roeder Road, Suite 300
Silver Spring, MD 20910

(301) 565-8524

rcorwin@childrensnational.org

Zoie's Story

"Just three days before Zoie's 3rd birthday, she fell on the playground during a family trip to the park. After brushing herself off, she got right back up and continued playing. That evening during her bath, I saw that her left side was severely swollen so I took her to the doctor. After two trips to the doctor, an X-ray and CT Scan, the swelling didn't subside. We were directed to Children's National where they conducted further testing.

"Her diagnosis: Stage 4 Wilms Tumor. The cancer was initially in her left kidney but had spread to her lungs and encircled itself around a major vein. Zoie endured six months of chemotherapy, complete removal of her left kidney, and radiation. As parents, it was overwhelming but we were told she had a very treatable form of cancer with a 90 percent success rate.

"And fast forward to today: Zoie is 6 years old and CANCER FREE! She has one kidney but that's why God gave us two!! She is a bundle of energy and enjoys gymnastics, swimming, drawing, and playing with her two younger siblings.

"Zoie is truly an amazing gift. She's a fighter. That's what happens to kids who are given the gift of quality care at Children's Medical Center!" **www.childrensnational.org/testimonials**

Zoie's mom, Lisa

Exploring Your Options

Merging philanthropy with your overall estate planning presents exciting and rewarding opportunities. We can help you and your advisors explore these and other questions in light of your specific planning goals. Just contact us by phone or email to request our complimentary brochure, ***Retirement Plan Assets***. Thank you for your interest in supporting the work of Children's National.

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