Legacy Builder

Southcoast® Health

FINANCIAL AND ESTATE PLANNING OPTIONS FOR SUPPORTING SOUTHCOAST HEALTH SPRING 2017

Ted and Liz Brainard

There are many things that define a life well lived, and for Marion residents Edward "Ted" and Elizabeth "Liz" Brainard, their love of family and community rises to the top.

"This is a wonderful community to raise a family in," said Ted, who summered in Marion as a child. The Brainards settled permanently in the town in 1960, raising four children there. Like most parents, the mishaps encountered by growing children gave them reason to visit Tobey Hospital in Wareham on more than one occasion, including a serious eye injury sustained by their son David in 1969.

"We have seen Tobey grow so much over the years," said Ted, adding that he has noticed a considerable

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Retirement Assets: Three Important Questions to Consider

Most retirees spend years saving before they retire. Whether you are already retired or perhaps looking forward to its arrival, planning is as important as ever in today's economic environment.

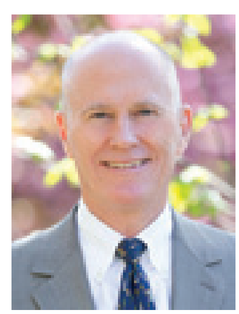
Much of your accumulated wealth is probably in some form of retirement plan. You might also have one or more traditional Individual Retirement Accounts (IRAs). All offer tremendous opportunities for growth because the amounts in such plans generally are not subject to income tax until the funds are withdrawn. But when the funds are withdrawn, important tax realities emerge.

This issue of *Legacy Builder* takes a look at three important questions that can have an impact on your retirement planning. We explore simple ways that charitable giving can complement an overall retirement plan. We also look at required minimum distributions and examine some of the most economical ways to give. If you would like to know more about these or other planning ideas, feel free to contact us by phone or email, or return the enclosed card. Be sure to ask for our free brochure, *Retirement Plan Assets—Leaving More to Your Family and Charity*. As always, we are grateful for your generous support.

Sincerely yours,

Jack

Jack Dresser
Senior Vice President &
Chief Philanthropy Officer



Are You Fully Funded?

The most important retirement principle is also the simplest: Your income after retirement ultimately depends on what you set aside during your years of working and saving. If you are currently in the working and saving mode, “Retirement Planning 101” calls for fully funding your IRA and/or other employer-sponsored retirement plan by making the maximum allowable contributions.

Tax-favored contributions and tax-deferred earnings make retirement plans the logical first step in saving taxes and accumulating retirement assets. And if you are age 50 or over and have not contributed the maximum amount each year to your plan, you can also use the “catch-up provisions” to—as the name implies—catch up.

Retirement Plan	2017 Contribution Limit	Catch-up Contribution Limit*
401(k), 403(b), and most 457(b) plans	$18,000	$6,000
IRAs	$5,500	$1,000

*Allowed for age 50 and over

EXAMPLE: Alex, age 60, wants to maximize the amount of money he sets aside for retirement. His 401(k) plan allows him to make the maximum contribution plus the catch-up amount, so his total contribution is $24,000 this year. He plans to use this strategy for the next several years to significantly boost his retirement savings.

PHOTO BY AD MAKEPEACE COMPANY

Supplement Retirement Income with a Smart Planning Idea

In spite of the enormous value represented in qualified retirement plan assets, executives and other professionals can still struggle to accumulate resources significant enough to finance a 25 or 30-year retirement using these plans alone. Many people who have already maximized their qualified retirement plan contributions turn to charitable gift annuities to help fill this gap.

A charitable gift annuity is an agreement between you and us—in exchange for your gift of cash or other property, we agree to pay you a fixed annuity amount identified when the gift annuity is put in place.

Annuity payments are based on the age of the person (or persons—two maximum) who will receive the annuity, the amount of the gift, when payments will begin, and the rates in effect when the gift annuity is established.

- When payments begin, they continue for the lifetime of the beneficiary or beneficiaries.
- Older beneficiaries receive higher payment rates.
- A deferred gift annuity results in a higher payment rate than an annuity whose payments begin immediately.
- A gift annuity is part gift and part annuity, meaning you are eligible for an income tax deduction for the gift portion of contributed assets.
- Until the annuitant reaches life expectancy, part of each annuity payment is considered a tax-free return of principal, meaning tax is only due on a portion of the payment.

EXAMPLE: Joni, age 60, wants to set aside more than she can contribute to her 401(k). Joni gives $50,000 to Southcoast to establish a deferred gift annuity that will supplement her retirement income. Payments will begin in 10 years. At that time, she will begin receiving annual payments of $3,350 (a payout rate of 6.7%). Furthermore, $1,729 of each yearly payment will be tax-free until Joni reaches her life expectancy (age 85). Her gift qualifies for a charitable deduction of $21,843.*

Please contact us if you have questions about how a charitable gift annuity can meet your philanthropic intentions and planning goals.

* Example for illustrative purposes, based on an Applicable Federal Rate (AFR) of 2.4%. This rate is published monthly by the IRS for federal income tax purposes.

What If the Choice Is Not Yours?

When you are an IRA owner, something significant happens when you reach age 70½. This is the age you MUST begin taking annual distributions from your IRA in an amount based on your age and the total in your account. These distributions are subject to tax. But what if you don't want them or need them? At age 70½, you don't have a choice.

For philanthropically minded IRA owners, Congress has provided a unique opportunity to make a gift to Southcoast directly from your IRA. This qualified charitable distribution, or "IRA charitable rollover," was made permanent by 2015 legislation. There are three distinct benefits to these gifts:

- You pay no income tax on the distribution (subject to a $100,000 limit).
- You can count it toward your required minimum distribution (RMD). So, if your RMD is $25,000 and you make a qualified charitable distribution of $30,000 directly from your IRA to Southcoast, you have satisfied your RMD for 2017.
- You can make this gift year after year—a unique and tax-wise way to meet your philanthropic goals.

A gift from your IRA must be transferred directly from your IRA to Southcoast. Contact your account custodian to arrange your gift, and please notify us as well. We will verify that your gift is received and provide all of the appropriate documentation for your records.

Note: Defined contribution plans—401(k) plans, 403(b) plans, employee stock ownership plans and profit-sharing plans—are also subject to RMD requirements, but they are not eligible for the qualified charitable distribution option.

Is There a Best Way to Give?

There is no "one size fits all" estate plan, but a basic principle affecting retirement plans has to do with income in respect of a decedent (IRD)—income a person earned but did not receive before death. In its simplest terms, the principle holds that because of the taxation on these assets, heirs benefit more from receiving non-IRD assets.

A distribution from a tax-deferred retirement account is subject to federal income tax during life and at death. These distributions are taxed when they are received (by you or your heirs) because untaxed earnings were deposited into the account and earnings were not taxed while they accumulated. The government recovers these tax advantages when funds leave the account.

When heirs receive a distribution from your tax-deferred retirement account, it is considered income in respect of a decedent and it is subject to income tax. Consequently, if you want to make a gift to Southcoast and provide for loved ones through your estate plan, it makes sense to leave retirement assets to us (since we don't pay tax on them) and designate other assets to heirs (assets that are subject to favorable tax treatment).

EXAMPLE: Lynn wants to support us with a gift of $100,000 and leave the rest of her estate to her son, William. Lynn considers whether to designate us as the beneficiary of one of her IRAs or leave us a gift of appreciated stock to fulfill her charitable goal.

There is a distinct advantage to making her gift by naming us the IRA beneficiary and leaving the stock to her son. When we receive IRA funds, the full amount supports our work since we are a qualifying charitable organization. By contrast, if William receives the IRA funds, all distributions are subject to income tax. It would be better for William to receive stock—not only is no income tax due on the transfer, but the stock receives a step up in basis, which shields from income tax the appreciation Lynn enjoyed. When William sells the stock, he pays tax only on the amount the stock appreciates after inheritance.

Learn more about gift planning at www.southcoast.org/philanthropy/legacy-giving/

PHOTO BY KELSEY GARCIA

The Next Step

Please feel free to contact us for additional information about tax-wise gift planning and supplemental retirement income strategies. We will be happy to answer your questions and send you our free brochure, *Retirement Plan Assets—Leaving More to Your Family and Charity*. We welcome the opportunity to help you realize your long-term planning and philanthropic goals.

Southcoast® Health

For information, please contact:
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uptick in recent years in the number of area residents seeking care locally rather than traveling to Boston and Providence.

"You can get most everything you need right here. There's no need to travel anymore."

Having founded Marion-based Endeco (Environmental Devices Corporation) in 1970, Ted and Liz looked into charitable giving opportunities when it came time to sell the oceanographic and environmental equipment company two decades later.

After some consideration, they decided to establish a Charitable Remainder Trust (CRT) using appreciated stock in their company. The trust will pay the Brainards income for their lives, with the remainder distributed to Tobey Hospital and other charities they have designated. The Brainards enjoyed an income tax charitable deduction when they established the trust. They also avoided paying a tax on the capital gain that would have been incurred had they sold their stock outside of the trust. "A CRT just made sense for us," said Ted. "It was easy and convenient and has provided us with a source of income during our retirement."

Ted found himself seeking care at Tobey over the past year in two separate emergency situations—one serious—and was pleased with the positive outcomes.

"The medical staff and everyone we encountered were just so friendly and helpful," said Liz, noting that they have a granddaughter-in-law who recently embarked on her career as a family practice physician in Maine.

"The hospital business is a people business and Southcoast hires great people," added Ted.

The Brainards' charitable giving extends beyond their CRT. They have supported Southcoast Health's Annual Fund and, most recently, the upcoming expansion of Tobey's Emergency Department. They see Tobey as an integral part of the community, both now and in the future.