DEAR SLU ALUMNI AND FRIENDS:

It’s been quite a year for our nation and its economy with the tragic events of Sept. 11, interest rate cuts, a major tax reform and a volatile stock market.

Despite downdrafts in the economy, you may have stocks that have done well recently or others that have years of built-in appreciation. Using such stocks to fund a life income gift agreement may be a tax-wise strategy for rebalancing a portfolio while furthering important charitable goals. Often you can unlock yourself from a substantial capital gains tax liability or even increase your spendable income. What better time than at year’s end to explore such a strategy?

If your primary goal simply is to make a cost-efficient impact gift, you may want to consider an outright gift of appreciated stock (or other kinds of long-term appreciated property) rather than cash. You are still entitled to a double tax benefit, and because of the gradual lowering of income taxes, you may enjoy increased tax savings by giving this year rather than next.

If you would like to get a head start on your year-end planning, you may want to order our Guide to the New Tax Relief Act and our Federal Tax Pocket Guide – Tax Act Edition. These publications will help you see how your current tax picture may be affected by law changes in 2002 and later years. You also may want to review a customized illustration that outlines the benefits of one of our life income gift arrangements. Please complete and return the enclosed card to request additional information.

Good luck with your year-end planning. Do not hesitate to contact us if we can help you integrate a tax-wise gift into your overall planning.

Kent G. LeVan
Director, Planned Giving

Why You Need to Review Your Year-end Planning

Year-end planning has become like an annual check-up for many of our alumni and friends. Perhaps you too look at your stock portfolio, your income picture and your tax situation for the year. Specifically, you might look at opportunities for controlling taxes and maximizing income through valuable deductions, timing strategies and important changes in the tax law, such as the recently passed Tax Relief Act.
If so, you will want to make certain you do not overlook charitable giving in your year-end planning. While year-end gifts usually spring from charitable motives — because it is a time when many people count their blessings and share with others — financial benefits should not be ignored. Because tax reform left long-term capital gains tax rates unaffected, gifts of appreciated property may reduce your tax liability, and when used to fund a life income gift plan, such gifts can help increase your income and rebalance your portfolio while furthering your charitable goals.

Let’s look at how planned giving may help you with your year-end planning.

**Maximizing Your Charitable Deduction**

To maximize your charitable deduction, think of an outright gift of long-term appreciated property (property held for more than one year). Generally speaking, your deduction will be based on the fair market value of the asset — not what you paid for it. So you get the maximum deduction, increased by a gain that has never been taxed. In a very real sense, it is like deducting pre-tax contributions. The following example dramatizes the potential tax savings.

Mr. B. usually makes a gift to Saint Louis University by check each year for $10,000. This year, he decides to give SLU 100 shares of a stock that is valued at $10,000. He originally bought the stock for $20 per share. It gradually rose to $100 per share but has stayed there for the past two years after peaking at $120. In view of one stock analyst’s negative report, Mr. B. decides to get rid of the stock rather than risk a further decline. He’s thinking about selling it and giving SLU the cash or simply giving the stock directly to SLU. Which is the better strategy?

Let’s compare:

- **If Mr. B. sells the stock,** he will incur a $1,600 capital gains tax ($8,000 gain x 20 percent capital gains tax rate). That leaves only $8,400 to donate. He will have to add $1,600 of cash from another source to make his $10,000 gift. Assuming he does so and his tax bracket is 35.5 percent, he will enjoy tax savings of $3,550 ($10,000 gift x 35.5 percent tax bracket). The after-tax cost of his $10,000 gift would be $6,450.

- **On the other hand, if Mr. B. gives the stock directly to the University,** he will enjoy income tax savings of $3,550, and he avoids the $1,600 capital gains tax. This “double deduction” enables him to make the same $10,000 gift for an after-tax cost of only $4,850.

Mr. B. is pleased to learn, as so many others have, that it is more cost-efficient to make gifts of long-term appreciated property than gifts of cash. He also knows, after learning about the new Tax Relief Act, that it will be tax advantageous to give this year rather than wait until next year when his tax rate drops slightly, thus lowering his income tax savings. Our booklet, *A Guide to the New Tax Relief Act*, discusses the new phased-in tax rates and why it is better to give sooner rather than later. We encourage you to send for it.

**Increase Income, Rebalance Portfolio**

If you are like many investors, you may have let your portfolio get a little top-heavy with growth stocks. Or you may have watched dividends from your more conservative investments take a dip. Certainly, there are many reasons today why you may want to rebalance your portfolio or shore up your income,
particularly if you are retired or are approaching retirement.

Unfortunately, many people feel “locked in” to their positions. Should they try to shift their investments, they could incur a large capital gains tax, which, in turn, could translate into a substantial loss of capital for reinvestment purposes. This is like being caught between a rock and a hard spot. Is there any way out of the situation?

One option you may wish to consider — if you are charitably minded — is one of our life income gift plans such as a charitable gift annuity or charitable remainder trust. With the right plan, you can shift an investment tax-free, increase your spendable income and, at the same time, make a gift that will ultimately have an impact on the future of Saint Louis University.

Let’s explore one possibility:

Dr. P., a widower and long-time supporter, has a relatively large stock position in Acme Health. Once considered a solid growth-and-income company, Acme grew and grew, then leveled off and just recently cut its dividend to a meager two-tenths of 1 percent.

After reviewing the charitable giving opportunities that are available, Dr. P. decides to fund a life income plan with 2,000 shares of Acme stock. Its current fair market value is $100,000 — his basis, $20,000. Had he sold the stock to reinvest the proceeds, he would have incurred a $16,000 capital gains tax ($80,000 gain x 20 percent tax rate), leaving him only $84,000 to reinvest. By giving the stock to the University, the full $100,000 can be sold and reinvested without tax depletion (since SLU is tax exempt). We will pay him $7,000 each year for the rest of his life. That’s far more than what he has been receiving ... and more than what he could have received if he had sold the stock and reinvested the after-tax proceeds.

But that’s not all. Dr. P. will receive an income tax charitable deduction for his gift in the year he funds the plan. This will help shelter his other income. Since the asset is taken out of the estate, there may be substantial estate tax savings as well. Even more important to Dr. P. is knowing that his gift — after his income benefits end — will go to support his favorite program at Saint Louis University. Everyone benefits from the plan.

What is Unique about Planning at this Year’s End?

Much is the same as far as making decisions to accelerate deductions or defer income, depending on your tax picture. But this year — more than ever — you need to plan with an eye on the future. So many of the provisions of the new Tax Relief Act are phased in or out during the next few years that you cannot totally ignore them. Here are just a few questions you may want to ask yourself:

- How does the 2001 tax rebate work and how might it facilitate giving at this year’s end?
- What itemized deductions can you take this year? And what are the rules that govern their deductibility?
- How do the phase-out of the reduction in itemized deductions and the reduction in the personal exemption work? And who benefits from these changes?
- What is the new exemption amount for the estate tax next year? And how will it affect your estate plan?
- What is the fate of the federal gift tax law? And
Phyllis Tirmenstein moved from her hometown of Evansville, Ind., to St. Louis in the mid-1960s. In 1967, she started working in the department of pathology at Saint Louis University’s School of Medicine. She served as the department’s business manager for many years until her retirement in 1993.

Shortly after her move to St. Louis, Phyllis joined an organization called Forum, an interdenominational group that hosted social and educational programs for single adults. One of the first activities that she attended with Forum was a float trip on the Black River. Her canoeing partner on the trip turned out to be a gentleman named Roland Quest. The two of them quickly became and remained great friends for more than 25 years.

While Phyllis spent much of her career working in the medical field, Roland focused on engineering and design. He made his mark in engineering and space exploration as a design engineer for McDonnell Douglas Corporation. He lectured for many years on the theory of using retrievable rockets and recyclable fuel tanks and crafts for space travel. Upon his retirement in 1972, he received the St. Louis Aeronautical Society Award for “notable contributions to space technology in the realm of conceptual design for the space shuttle.” Following his retirement, he turned one of his favorite hobbies, boating, into a career in boat design with the formation of Quest Marine Company. He produced innovative designs for year-round pleasure boating and even received a patent for his design of a landing ramp for use on riverbanks.

During her years of service in the department of pathology, Phyllis became impressed with the University. “It became apparent to me that Saint Louis University was an institution dedicated to academic excellence and high spiritual values,” Phyllis recalled. “Rollie also appreciated the overall contribution that the University made to the city of St. Louis. He believed that SLU was an important anchor for the city and supported the University’s decision to remain in midtown St. Louis.”

Because of their appreciation for Saint Louis University, Phyllis and Roland established a charitable remainder trust in 1992 to benefit the University’s endowment. They were awarded the Gold Crown of King Saint Louis IX of France, SLU’s highest honor for giving that same year.

In 1993, Roland died following a long battle with cancer. He designated a significant portion of his estate to provide charitable support and appointed Phyllis as trustee of the funds. Phyllis has continued to support philanthropic causes that were important to Roland. Recently, his estate provided the funding for a small park located on Samuel Shepard Avenue in the midtown St. Louis arts district known as Grand Center. Another gift sponsored a competition for young musicians that featured the works of Italian composers. Phyllis is especially proud of this gift since she played the violin and viola in Evansville’s Philharmonic and performed as a member of the Bach Society of St. Louis for many years.

Supporting education was especially important to Roland. Throughout his lifetime, he donated a significant portion of his financial resources to strengthen Saint Louis University and other institutions of higher education. Phyllis has continued this support of the University. Earlier this year, Roland’s estate funded a research project in the department of pathology. Phyllis also established the Roland Quest Memorial Award, an award presented annually to members of the department of pathology in recognition of meritorious research, innovative teaching or excellence in service.

The first award from the Quest fund was made last year to Drs. Mary Case and Michael Graham. A portion of their award funded research that provided new insight into the diagnosis of abusive head injuries in children. This year’s award was presented to John Foster, a senior billing coordinator in the department. The award will enable Foster to pursue additional professional certification coursework that will enhance the billing area of the department.

“The award was created to recognize a faculty member, resident or staff member who displays the values Rollie held so deeply,” Phyllis said, “He believed that excellence could be achieved only...
through hard work. He also demonstrated his commitment to the St. Louis community through a lifetime of charitable giving. The Roland Quest Memorial Award and the funding of special research projects at Saint Louis University are wonderful ways to remember a generous-hearted and gifted man who cared for others and valued education and science so deeply. It is an honor for me to continue his philanthropic spirit.”

**Betty (AH ’49) and Joe Musacchia**

A friendship with a Saint Louis University alumna and the assistance of two faculty members helped bring Betty Cook Musacchia to SLU as a student in the medical technology (clinical laboratory science) program. Following her graduation from high school in Princeton, Ky., Betty enrolled in a one-year laboratory technology program in Utica, N.Y. After completing her studies in Utica, she began work at a hospital in Indianapolis.

She developed a friendship with one of her coworkers, Helen Schulte (AH ’42), who had recently graduated from Saint Louis University. Helen, who is also a member of the 1818 Society, spoke highly of the medical technology program at SLU. This led to Betty’s decision to apply to the program. Betty knew, however, that she would need a part-time job to help finance her education. Helen contacted Sister Mary Dolorosa Pope, the long-time chairperson of the medical technology department, to assist with finding employment. With help from Sister Dolorosa, Betty secured a work/study fellowship in SLU’s biology department.

Betty subsequently enrolled at SLU and, as a student, worked in the biology department for two years. During her junior year, she decided to leave SLU to take a job with a physician in Asheville, N.C. While working in North Carolina, she received a call from Nelson Wade, a faculty member in SLU’s biology department. Dr. Wade asked her to come back to SLU to complete her studies in medical technology and to return to her job in the biology department.

Betty returned to SLU in 1947 to complete her junior year and in 1949 graduated from the medical technology program. That same year she met her future husband, X.J. “Joe” Musacchia, who had recently become a faculty member in SLU’s biology department. Joe was a graduate of St. Francis College in his hometown of Brooklyn, N.Y. He also was a graduate of Fordham University, having received his doctorate after serving in World War II. He described his meeting Betty as “biology at first sight.” The two married in 1950.

Joe served on the biology faculty at SLU until 1965 before moving to the University of Missouri to become a professor of physiology. In 1978, he became dean of the Graduate School and professor of physiology and biophysics at the University of Louisville. Following his retirement in 1991, Joe and Betty moved to Bella Vista, a community in the Ozarks of northwest Arkansas.

Now in retirement, they participate in numerous activities, including golf, bridge, traveling, reading and volunteering for their parish and the library in Bella Vista. They greatly enjoy visiting their family around the country. Betty and Joe have four children and eight grandchildren. One of their children, Mary, is a graduate of SLU’s School of Law. The entire family met last November in Bella Vista to celebrate Betty and Joe’s 50th wedding anniversary.

For several years, Betty and Joe received SLU’s newsletter on gift and estate planning. They found the issues on gift arrangements that provide lifetime income to be of particular interest. They even kept copies of those particular newsletters on file for future reference. The opportunity for them to establish a planned gift eventually presented itself. A corporation in which they were stockholders was facing a buyout. Rather than selling their shares outright, they funded a charitable remainder unitrust with this particular stock. They received a tax deduction for a portion of the stock’s value that was transferred to the trust. In addition, they receive payments for life that are based on a percentage of the market value for the trust. Ultimately, their gift will establish a lecture series on bioethics under the direction of SLU’s biology department.

“The newsletters from Saint Louis University helped to educate us about the planned giving opportunities that were available,” Betty said. “The gift arrangement that we selected, the charitable remainder unitrust, provides benefits to the University as well as to us. It is a great way for us to show our appreciation for Saint Louis University and for our Jesuit education.”
Discover the Benefits of a Life Income Gift

If you have ever thought about making a charitable gift that provides income back to you, now may be an especially good time to act. During a low-interest rate environment, our gift annuity payout rates can be extremely attractive for charitably minded individuals who are displeased with the returns on their fixed-income investments. They also can offer a good and reliable stream of income for those who are looking for stability in this choppy marketplace. You can fund a gift annuity for as little as $5,000 with either cash or appreciated securities.

Sample Gift Annuity Rates

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Saint Louis University offers charitable gift annuities to residents of several states. For states in which gift annuities are not offered, the charitable remainder trust is possible and provides similar benefits to the gift annuity. Please complete and return the enclosed reply card to receive a no-obligation, customized illustration for a life income gift arrangement.

what happens if the estate tax and generation-skipping transfer taxes reappear in 2011?

How may changes in the alternative minimum tax affect you?

What changes have been introduced to ameliorate the “marriage penalty” and to increase the child tax credit?

What are the new provisions to encourage wider participation in qualified retirement plans?

And how might charitable giving play a larger role than ever in helping individuals reduce taxes when withdrawing their funds?

How do the new education savings plans work and how will this stimulate more parents — and grandparents — to participate?


As you peruse the materials and talk with your financial advisors, please keep in mind that we are ready and willing to help you and your advisors plan a gift that will generate the best return and greatest personal satisfaction. We welcome the opportunity to hear from you.