**Dear SLU Alumni and Friends:**

Planning for the future is always a challenge. But it becomes even more so in the face of major tax law changes and stock market volatility.

As many stocks have taken a beating during the past two years, more and more people are rediscovering the value of diversification. Others are exploring unique approaches, such as smart gift planning techniques that facilitate rebalancing their portfolios in tax-efficient ways while supporting their major charitable causes.

As this year winds down, perhaps your thoughts, like many of our alumni and friends, turn increasingly to year-end planning to take advantage of every tax-saving opportunity before time runs out. Do you accelerate or defer income? Expenses? Certain deductions? You are probably familiar with these time-tested strategies. But what about charitable giving? Are there any new opportunities available this year to help you achieve your overall objectives?

That’s what we want to explore in this issue of the 1818 Society News. We think you will find it thought-provoking and invite your comments. You may want to send for our new 2002 Taxpayer’s Home Companion, which contains the latest tax rates, important tax rules and popular year-end giving strategies. You can get a free copy by simply using the enclosed card. Many of our alumni and friends have found it to be an effective tool to use personally or to share with their financial advisers. You may also use the enclosed reply card to request a personalized illustration for a gift that provides income to you.

Good luck with your planning. Please call us if we can help you take advantage of a tax-wise, year-end gift.

Kent G. LeVan
Director, Planned Giving

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**Five Tips for Year-End Planning**

1. **Reduce a stock-heavy position with stock gifts**

   Gifts of stock, always popular at year-end, may seem less attractive after the market slide of the past two years. Keep in mind, however, that if you are like many people, you may have stocks with years of built-in appreciation. And, gifts of these stocks are still more tax-efficient than a cash gift of equivalent value. Such gifts also enable you to reduce a stock-heavy position while doing more to help with our important work.

   Example: Dr. C. has acquired a modest position in XYZ stock over the past twenty years. His adjusted
cost basis after a couple of splits is $20 a share. While the stock has traded as high as $60 a share, it has drifted down to $50 a share during the past two years. His broker thinks the stock has little upside potential and has advised him that he might want to lighten up on it.

Dr. C., who had been thinking about giving Saint Louis University a cash gift of $10,000 this year, decides instead to contribute 200 shares of XYZ stock. In his 38.6% tax bracket, a cash gift would cost him $6,140. The tax savings from the $10,000 income tax charitable deduction is a hefty $3,860. But it is even better with the stock gift because, in addition to the charitable deduction, he avoids the capital gains tax of $1,200 on all of the stock’s appreciation. Dr. C.’s gift will cost only $4,940. In brief, he makes a $10,000 gift to charity at a net cost of $4,940 while also reducing his position in XYZ stock.

What if you want to lighten up your position on a stock that has depreciated in value? Then you may want to reverse your strategy: Sell the stock first and then make the gift from the proceeds. That way you can declare a deductible loss plus receive a charitable deduction for the gift of proceeds. Your tax adviser can help you fine-tune your strategy.

2. CONSIDER GIVING OTHER APPRECIATED ASSETS
If your publicly traded stocks have not done so well, you may have other assets that have appreciated considerably. Closely held stock, since it may have virtually a zero tax basis, may enable you to make a highly meaningful impact gift with tremendous tax savings. While the planning is more involved than a gift of publicly traded stock, the financial and tax rewards can be well worth the effort. We can help you with the planning.

Real estate may be another attractive gift option. Low interest rates have pushed up values and people have rediscovered the value of diversification. If you feel, as some people do, that real estate may be peaking, you may want to consider exiting certain properties. There are gift plans that allow you to do so in a tax-efficient way. In select cases you may even be able to convert a property into an income stream.

Do you have individual bonds or bond funds that have appreciated significantly over the past few years? What about artwork and other collectibles? Properties such as these that have been held for more than one year and that have appreciated greatly can be even more tax advantageous than gifts of long-term appreciated stock. For example, the long-term gain on collectibles, if sold, is taxed at 28%. Gain on a sale of depreciable (investment) real estate can be taxed as high as 25% rather than the 20% top rate on stock gains.

We will be happy to help you find the gift asset with the most tax-saving potential and, just as importantly, work with you to make certain your gift is used for your exact intended purpose.

3. USE LIFE INCOME PLANS TO DIVERSIFY YOUR PORTFOLIO
Life income gift plans have become attractive to donors who want to make an impact gift but need to retain the income from the gifted asset. A good example would be the charitable remainder trust in which the donor uses a low-yield, highly appreciated stock to fund the trust. The charitable trust can sell...
the stock without paying a capital gains tax, reinvest the undiluted proceeds to generate a good income for the donor, with the donor receiving a substantial income tax charitable deduction for our remainder interest (what’s left of the proceeds after the income benefits end).

Example: Sally and her husband started aggressively investing in stocks during the early ’90s. Now that they are entering retirement, they would like to move to a more conservative investment mix. They could sell some of the stock, but they don’t like the idea of paying a capital gains tax. What’s more, they don’t like the idea of selling their stocks when values are somewhat depressed.

Their solution is to give some of their more highly appreciated stock to fund a charitable remainder trust, thereby avoiding the immediate capital gains tax they would incur on a sale of the stock. They arrange the trust to pay out a nice income stream (it can be fixed or variable) for the rest of their lives. They also receive an income tax charitable deduction for our remainder interest. Careful planning will enable them to diversify their portfolio in a tax-efficient way, increase their income and help further the University’s mission in a highly meaningful way. They like the idea of being able to help themselves while helping others.

4. Restore lost income from a 401(k) with a life income plan

The opportunity to participate in 401(k)s — often with matching company funds — became part of the investment mania of the ‘90s. But as many people have learned the hard way, you don’t want to have all your eggs in one basket. Just as important as diversification is the need to be assured of a fixed income stream for a secure retirement.

One possible solution for individuals who are philanthropically minded is a charitable trust arrangement that will provide you with a fixed income for life. If you fund the trust with low-yield, highly appreciated property (as noted above), you can unlock your gain without immediate taxation and the trustee can invest the untaxed proceeds to generate the high income stream. But that’s not all. The income tax charitable deduction to which you are entitled for our remainder interest can act to shelter some of your income for up to six years.

Of course, not every form of appreciated property is appropriate for funding a charitable trust. And then, too, such a trust is not appropriate for everyone. Certainly, a strong charitable motive should be part of every planned gift so that both the charity and the individual donor should benefit from the gift arrangement. But given the flexibility of charitable trusts, careful planning may make it possible for you to help restore lost income from a 401(k) or supplement other retirement plans such as an IRA.

5. Consider energizing your fixed income with a gift annuity

With stocks in the doldrums, fixed income investments have become increasingly attractive. A major problem now — in this low-interest rate environment — is finding a fixed investment with a decent return. Money market funds are below 2%.
CDs are not much better unless you are willing to tie up your money for a long period of time. And bonds, particularly corporate bonds, have their risks should interest rates move higher, as they eventually will.

Again, there is a viable option for individuals who may be interested in furthering our good work. It is called a charitable gift annuity and it is available to alumni and friends in over 30 states. Since it may enable some individuals to significantly increase their income (perhaps as much as 30% to 50% tax free), it has become quite popular with many of our donors. Some have even made repeat gifts.

In brief, here’s how the gift annuity works. In exchange for a gift of cash or property (usually appreciated securities), SLU agrees to pay you and/or another individual a fixed annuity over your lifetime(s). As the table shows, the higher the age of the annuitant at the time of the agreement, the higher the guaranteed rate. In addition, the donor receives an immediate income tax charitable deduction for our deferred interest. But we do not receive our portion until after the income benefits end.

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<th>Age</th>
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Please call the Office of Planned Giving for ages not shown in the previous table.

The gift annuity, of course, is not for everyone. It is, however, a mutually beneficial arrangement under which some donors may actually double or triple their rate of return while having the satisfaction of knowing their gift will ultimately further SLU’s mission. Gift annuities can also be arranged for working professionals who need tax relief now but their payments deferred until a later time, say, when they begin their retirement years.

It’s easy to implement a gift annuity. Certainly, it’s worth exploring at year’s end, particularly if you have CDs that are coming due. Another idea might be to cash out U.S. savings bonds that have stopped earning interest to fund your gift annuity. Why not contact us to find out if charitable gift annuities are available in your state and how you might benefit from this unique gift plan. You can do so without any obligation whatsoever.

Note: Payout rates will be lowered on January 1, 2003. Please contact the Office of Planned Giving if you would like to establish a gift annuity before the end of 2002.
Growing up in the small town of Andale, Kan., Dr. Archibald Forster (MD '47, Hosp '51) first learned of Saint Louis University from his family's doctor and from Jesuit Matthias Martin. Both men were alumni of the University and spoke highly of SLU. While Dr. Forster hoped to attend SLU, paying for college posed a challenge. He was one of 11 children in a family living through the Depression. With the assistance of the Jesuits who helped him find work, he was able to enroll at the University. He recalled, “I paid for my education through a series of jobs that the Jesuits helped me to locate. I did everything from dipping ice cream at Forest Park to selling clothes at Weil’s Men’s Shop to serving as a professional pallbearer.”

During his years of study at SLU, Dr. Forster lived in a men’s boarding house located near the intersection of Lindell Boulevard and Vandeventer Avenue. Meals for the men were provided next door at a women’s boarding house. It was there in 1943 that he met his wife Annemarie, who was from California and was studying medical technology at another school in St. Louis. The Forsters were married in 1946.

In 1947, Dr. Forster graduated from Saint Louis University School of Medicine. He completed his internship and residency in obstetrics and gynecology at St. Louis City Hospital in 1951. (He cites medical school faculty member Dr. Joseph Hardy as a great influence when selecting his specialties.) Next, Dr. Forster opened a medical practice in St. Louis, but he was called into military service in the early 1950s. For two years, he and Annemarie were stationed in Fairbanks, Alaska. In 1955, the Forsters moved to Long Beach, Calif., where he operated a practice until his retirement in 1986. Dr. Forster estimates that he has delivered more than 10,000 babies. “My work would not have been as meaningful if I did not have such an understanding wife,” he said.

In addition to his practice, Dr. Forster organized and operated the obstetrics and gynecology clinic at St. Mary’s Hospital and was an assistant clinical professor at UCLA. He was also active in many professional and philanthropic organizations such as the California and American Medical Associations, the Los Angeles County Tuberculosis Association, the California State Maternal Mortality Committee, the Laser Society and the Knights of Columbus.

Since retiring, the Forsters enjoy traveling, especially to visit their six children and nine grandchildren. One of their children lives in Kansas City, two live in the St. Louis area, and the other three live in California. Sons Michael (LW ’74) and Bruce (GRBA ’92) are SLU alumni, as is granddaughter, Kathryn (BA ’97). She is currently a third year student at the School of Law.

In addition to their family, Dr. and Mrs. Forster have been involved with commercial farming and residential and commercial real estate. They are also affiliated with a Los Angeles charitable organization called the Catholic Mission Doctors’ Association, which supports physicians who agree to practice medicine in Guatemala for a minimum of three years. During their 20-year involvement, Dr. Forster has served as president of the organization.

Dr. and Mrs. Forster have generously supported the University through the establishment of a charitable remainder trust that will ultimately establish an endowed scholarship fund in the School of Medicine. The Forsters learned of the benefits of a charitable remainder trust through their estate planning attorney and through planned giving mailings that they received from the University. “After meeting with our attorney to discuss the financial and tax aspects of the various gift arrangements that were available, we decided that the charitable remainder unitrust was the best way for us to support Saint Louis University. The unitrust provides us with significant tax savings, income for life and the opportunity to establish a scholarship fund for medical students. Saint Louis University and the Jesuits were good to us. We hope to pay back the University through our unitrust gift.”

The Forsters hold great admiration for the Jesuits at SLU. Two whom they particularly admired were former Chancellors Paul Reinert, S.J., and J. Barry McGannon, S.J. As a tribute, the Forsters keep photos of both men on display in their home.
SLU Launches $300 Million Campaign

During the summer of 2002, Saint Louis University announced the largest fund raising effort in its 184-year history — “The Campaign for Saint Louis University: Where Knowledge Touches Lives.” The University launched the five-year, $300 million campaign at an evening celebration at Grant’s Farm on June 26.

“Several years ago, I said that it was my vision that Saint Louis University become the finest Catholic university in the United States,” said SLU President Lawrence Biondi, S.J. “Each day we come closer to realizing that distinction. The entire Saint Louis University community collaborated over the last 12 months to spell out our means to achieve this goal in the form of a new strategic plan. This plan has formed the basis for our new campaign.”

SLU alumni August A. Busch IV and John K. (Jack) Pruellage are campaign co-chairmen. Busch IV is president of Anheuser-Busch Inc., and Pruellage is chairman of Lewis, Rice & Fingersh, L.C., a regional law firm based in St. Louis for more than 90 years.

One third of the $300 million goal of the new campaign is slated for students. The University hopes to raise $100 million for scholarships and fellowships. Faculty development, science and technology and centers of excellence have the next largest campaign goals in that order. Faculty, who influence the teaching, research and service of peers and students alike, are an ultimate measure of a University’s quality, and the University hopes to raise approximately $75 million for named endowed chairs and faculty development. The University has set a goal of $50 million for science and technology, which is also a major focus of the campaign. Support in this area will partially fund a new state-of-the-art research building, innovative information technology infrastructure and scientific laboratories and equipment. Another $30 million will be earmarked for additional support for existing centers of excellence at the University, such as the Saint Louis University Cancer Center, which opened this spring, the Paul C. Reinert, S.J., Center for Teaching Excellence, the Boeing Institute of International Business and others.

The University already has raised 50 percent of its goal, or $150 million, during the silent phase of the campaign. A leadership gift from John Cook, University alumnus and trustee, helped to double the size of SLU’s business school, which now bears his name. Cook is chairman and chief executive officer of Atlanta-based The Profit Recovery Group International Inc.

A leadership gift from the Anheuser-Busch Foundation will help renovate Busch Memorial Center. Anheuser-Busch, under the leadership of the late August (Gussie) Busch Jr., provided the lead gift for the original facility built in 1967.

The Campaign for Saint Louis University

Students ......................... $100 million
Faculty .......................... $75 million
Science and Technology ........ $50 million
Centers of Excellence ........... $30 million
Campus Life Enrichment ......... $20 million
Annual Support .................. $25 million

Check Out Our Web Sites:
http://campaign.slu.edu
http://www.slu.edu/alumni/giving