



Summer 2005

# THE WILSON SOCIETY

N E W S L E T T E R

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Spring 2005 Wilson Society Lunch

Send for our complimentary booklets, *Givers Guide to Federal Taxes '05* and *Planning Your Will for All It's Worth*.

## A Lifetime of Philanthropy Endures

“Unassuming and thoughtful.” “A lover of dogs.” “Dedicated to his community.” These are expressions used to describe the late George D. Cornell by those who knew him well. A distinguished philanthropist and descendent of the founder of Cornell University, Mr. Cornell remembered friends, family, and over 30 prestigious institutions in his will. Hospital for Special Surgery has received nearly \$2.8 million from the Cornell estate to support patient care and musculoskeletal research.



George D. Cornell (1910-2003) with his beloved Samoyeds, Ivan and Posey

Mr. Cornell’s affiliation with HSS began with his wife, Harriet, an HSS patient who lived with polio until her passing. The philanthropic couple committed millions of dollars to numerous organizations and touched as many lives along the way.

Born in 1910 in Brooklyn Heights, Mr. Cornell was raised in Central Valley, New York, by Esther Haviland and Edward Cornell. His mother was an heiress to the Haviland china fortune, and his father was a prominent lawyer with the IBM corporation. In 1935, Mr. Cornell graduated from Rollins College and pursued a brief career in finance. Years later, he returned to Rollins as a trustee and, together with his wife, was the institution’s greatest benefactor.

This extraordinary bequest to HSS will have a tremendous impact on programs aimed at enhancing the quality of life for patients and advancing the science of orthopedics and rheumatology.

HOSPITAL  
FOR  
**SPECIAL  
SURGERY**



# Bonds: Charitable Planning Opportunities

Bonds come in many varieties, all sharing one common goal: to produce income for the investor. Bonds can also present creative charitable planning opportunities to help you reach personal, family, and philanthropic goals.

## How Bonds Work

Regardless of the type, when you buy a bond you are, in essence, loaning money to the issuer of the bond. In turn, the issuer



Benefit future innovations in patient care by designating HSS the beneficiary of a savings bond.

agrees to repay you according to the bond's terms. The borrower may be a corporation, local or state governmental units, or even the federal government itself.

Many bonds are issued at an amount equal to their *face (par) value*. These kinds of bonds pay a *periodic interest rate* equal to a percentage of that value. For instance, XYZ, Inc. may issue a \$100,000 bond that pays 6% of the face amount annually in quarterly installments. That means the holder of the bond receives \$6,000 each year in quarterly installments of \$1,500. These bonds pay the stated interest amount until the maturity date stated in the bond, at which time the holder receives payment of the face amount.

Other bonds have a *predetermined maturity value* but are issued at a significant discount. Rather than making actual periodic payments of interest, they increase in value each year—by a percentage rate set out in the bond—until they achieve full maturity value, at which time the holder is paid the bond's face value. This is the way **series E** and **EE U.S. savings bonds** work. Typically you purchase them for one-half of the face value and they are guaranteed to be worth their full face value at some designated point in the future.

Other entities issue similar kinds of bonds referred to as **zero-coupon bonds**, so-called because they increase in value each year instead of making periodic payments. Such bonds are a wonderful way to invest when you know how much money you will require at some fixed point in the future.

**Tax-exempt bonds**, issued by state or local governments or related agencies, have an important advantage over other types of bonds: the interest paid is exempt from federal income taxes. Depending on the residence of the investor, the bond may also be exempt from state and local taxes.

## Creative Charitable Options

**Capture Gain.** Those who have charitable goals have more options than typical investors when it comes to making decisions about bonds. One excellent strategy to capture gain in an appreciated bond is to use the bond—instead of cash—to fund a charitable gift.

**Charitable example:** Each year John W makes a substantial contribution to support Hospital for Special Surgery. He has some 9%

bonds he bought at par for \$100,000 several years ago when interest rates were much higher.

Now that rates are at near-historic lows, the bonds are worth \$110,000. John would like to capture the gain—especially since the bonds are callable in three years—but is reluctant to sell and generate a \$10,000 long-term capital gain.

John decides to use the bonds to make his gift to HSS this year. He is entitled to a charitable deduction for the full \$110,000 value but will not have to recognize or pay tax on any of the \$10,000 gain. In his 35% federal income-tax bracket John realizes the following benefits:

Income-tax savings (35% x \$110,000)	\$38,500
Capital-gain tax savings (15% x \$10,000)	\$1,500
Total savings	\$40,000
<b>Net Cost of \$110,000 Gift</b>	<b>\$70,000</b>

### Make a Gift, Get Lifetime Payments.

Perhaps you would like HSS to have the value of your bonds, but you need the income they produce for living expenses. You can continue to receive an annual stream of income based on the value of your bonds and make a gift—all while receiving valuable tax benefits—through a charitable remainder trust.

You can transfer bonds to the trust and reserve lifetime income for yourself or other beneficiaries you designate. At the death of the beneficiaries, all of the remaining assets in such a trust would pass to HSS. **Note:** A charitable remainder trust can also be set up for a fixed term of not more than 20 years.

You can choose a charitable remainder annuity trust, which makes a fixed payment each year, or a charitable remainder unitrust, which makes variable payments based on a



Provide for the future of musculoskeletal research by naming HSS in your will.

fixed percentage of the trust assets as they change from year to year. In both cases the payout must be at least 5%.

If your bonds have appreciated, you also get the added advantage of avoiding capital-gain tax on your paper gain. And, with careful planning, some or all of the income you get from a charitable remainder trust can be tax-free.

**Charitable example:** Laura B, 74, would like to make a meaningful gift to support HSS, but she needs all the income her assets currently generate to maintain her standard of living. Among the assets she owns are tax-exempt bonds that have a current market value of \$100,000 and pay \$5,000 each year in tax-exempt interest.

Laura decides to use the tax-exempt bonds to create a charitable remainder annuity trust that will pay her 5% of its initial value each year for the rest of her life. The payout from the trust is equal to the annual interest on the tax-exempt bonds. If the trustee retains the bonds in the trust, the tax-exempt nature of the interest on the bonds will be passed on to Laura when she receives her annual distributions from the trust.

As a result of her gift, Laura is entitled to a charitable income-tax deduction of \$57,225. In her 33% federal tax bracket, this produces \$18,884 in tax savings.



Wilson Society members Morris and Maria Coppersmith have named HSS in their wills.

**Savings Bonds Make an Excellent Bequest.** As previously noted, series E and EE U.S. savings bonds are sold at a discount from their face value and increase in value each year. The owner of the bonds can choose either to report and be taxed on the annual increases each year or to defer recognizing the income until the bonds are redeemed.

This makes savings bonds an excellent choice to fund charitable gifts you plan upon your death. By leaving the bonds to HSS and choosing to leave other assets to individual beneficiaries, you remove the value of the bonds from your taxable estate and the individual beneficiaries avoid recognizing income on the bonds.

### Plan Bond Transactions Carefully

Some kinds of bonds are subject to unique rules and considerations. Be sure to seek the guidance of competent financial advisors as you make your charitable plans.

To assist in your planning, we would like you to have a copy of our complimentary booklet, ***Givers Guide to Federal Taxes '05***. Simply return the enclosed card or request it by phone.



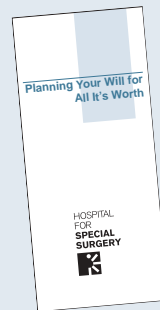
### Charitable Bequests: Giving with a Will

When you make a gift to charity through a bequest, you simply direct in your will that your entire interest in certain money or property be transferred to a designated charity, such as Hospital for Special Surgery. Of course, your estate will be entitled to a charitable deduction for the *full fair-market value* of your gift.

An outright bequest can take various forms:

- **General bequests.** With this type you simply leave a specified dollar amount (e.g., \$10,000) to the designated charity.
- **Specific bequests.** With such a bequest, you designate specific property (e.g., a vacation home) that you want a charity to receive.
- **Residuary bequests.** A residuary bequest is used to give a charity all—or a portion of—one's property after all debts, taxes, expenses, and all other bequests have been paid.
- **Percentage bequests.** A bequest can also be expressed as a percentage of an estate or residuary estate. If fortune changes the size of the estate, this bequest will change in the same proportion.

If you would like more information about how to use your will to accomplish charitable and family objectives, please send for a complimentary copy of our booklet, ***Planning Your Will for All It's Worth***.



You should consult your attorney about the applicability to your own situation of the legal principles contained herein.

# Wilson Society Spring Lunch Focuses on Innovative Shoulder Treatments

Members of The Wilson Society and guests gathered in the Richard L. Menschel Education Center at Hospital for Special Surgery to hear Edward V. Craig, MD, discuss innovations in treating conditions of the shoulder. Dr. Craig, attending orthopedic surgeon and Professor of Clinical Orthopedic Surgery at Weill Medical College of Cornell University, is a specialist in shoulder surgery and sports injuries.



Patricia Valluzzi (left), a Wilson Society member since 2003, attended the lunch with her friend Nancy Nicholson.



Wilson Society co-founder Samuel Polk (left), with member Doris Barth, Edward Craig, MD, and Philip D. Wilson, Jr., MD.



Longtime patient and Wilson Society member Joseph Sedacca visits with Dr. Wilson.



Wilson Society member Marilyn Mittleman (left) enjoys the lunch with Beverly DeFrietes (center) and her mother, Mildred Titley.

## Join Us

Named for Dr. Philip D. Wilson, Jr., and his father, Dr. Philip D. Wilson, Sr., both of whom served as Surgeon-in-Chief, The Wilson Society was established to recognize and thank donors during their lifetimes for providing for Hospital for Special Surgery in their estate plans. Please contact Sandra Kessler Hamburg, Director of Planned Giving, at (212) 606-1196 if you would like more information about joining the Society.

# New Faculty Positions and Research Center Fulfill Late Benefactor's Wishes

Prominent New York City advertising executive Franchellie "Frankie" M. Cadwell lived with the pain and disability of rheumatoid arthritis until her passing in 2003. Last year, Hospital for Special Surgery received an unprecedented \$9 million bequest from the longtime patient and benefactor, establishing three endowed faculty positions in Ms. Cadwell's name and those of her closest friends and a musculoskeletal research center.

Addressing Ms. Cadwell's wishes to improve the lives of those stricken with rheumatic disease are three preeminent scientists at HSS.

Dr. Sergio Schwartzman, a clinician-scientist and Ms. Cadwell's former rheumatologist, holds the Franchellie M. Cadwell Chair and will direct the new Center for the Diagnosis and Treatment of Autoimmune Ophthalmic Illnesses. Dr. Schwartzman devotes his time in the laboratory to investigating the development of

rheumatic disorders and autoimmune diseases of the eye.

Senior Scientist Jane Salmon, MD, studies rheumatic and inflammatory disease and

treatments and has been appointed to hold the Collette Kean Research Chair. Collette Kean was a close friend to Ms. Cadwell.

Ioannis Tassioulas, MD, Assistant Attending Physician at HSS, has been awarded the Charles Christian Research Fellowship, honoring Physician-in-Chief Emeritus Charles Christian, MD, which will support research into the regulation of

cytokines in autoimmune diseases.

A portion of Ms. Cadwell's generous gift will be used to establish the Margaret R. Cadwell Endowment for Musculoskeletal Research, in honor of her mother, to support scientific collaborations at HSS with Weill Medical College of Cornell University.



Sergio Schwartzman, MD, (left), Jane Salmon, MD, and Ioannis Tassioulas, MD

## Giving Through a Bequest

One of the simplest ways to make an extraordinary impact on the future of musculoskeletal research and patient care at HSS is through a bequest. Over the past decade, bequests in amounts ranging from several hundred dollars to Frankie Cadwell's magnificent gift have totaled over \$20 million for the Hospital and have made a significant contribution to the overall growth and expansion of the institution. Serving as an enduring source of support for researchers and physicians, planned gifts to HSS help to advance our understanding of orthopedic and rheumatic disease.

Hospital for Special Surgery is an affiliate of NewYork-Presbyterian Healthcare System and Weill Medical College of Cornell University.  
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