

Spring Luncheon Focuses on Excellence in Imaging

On April 10, The Wilson Society of Hospital for Special Surgery hosted its annual Spring Luncheon in the Richard L. Menschel Education Center. Members and guests gathered to hear from HSS Radiologist-in-Chief Helene Pavlov, MD. In her presentation, “All Images Are Not Created Equal,” Dr. Pavlov discussed the many factors in clinical care, education, and research that make Special Surgery’s Radiology and Imaging Department a premier center for imaging for orthopedic and rheumatologic conditions. ■



Above: Wilson Society member Doris Williams Barth (left) speaks to Helene Pavlov, MD, Radiologist-in-Chief. As a longtime member of The Wilson Society, Mrs. Barth has been attending special events for many years and is a great advocate for HSS, informing others of Hospital-wide initiatives.



Left: HSS Trustee and Wilson Society member William Salomon (left) chats with Dr. Wilson. Mr. Salomon and his wife, Virginia, have been involved with Special Surgery for over 20 years. Right: Wilson Society members Henry and Edith Allen were among the guests at the luncheon.



Right: More than 80 Wilson Society members and guests attended the luncheon to hear Dr. Pavlov discuss the advances that Special Surgery physicians and scientists are making in the fields of radiology and imaging.



Save the Date!

Wilson Society Fall Tea
October 23, 2007 at 3:00 PM

Richard L. Menschel
Education Center
Hospital for Special Surgery
535 East 70th Street

Featuring

Eduardo A. Salvati, MD
Clinical Professor of Orthopedic Surgery
Weill Cornell Medical College

For more information or to request an invitation, please call (212) 606-1196. ■

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Now 78, Mrs. Farrow understands the importance of mobility; her active lifestyle would put someone half her age to shame. She is President of the Catskill Regional Medical Center Foundation, serves on the Board of Directors of Sullivan County Community College, and was, until recently, Chairman of Catskill Hudson Bank, which she helped found. She is also busy spending time with her three children and seven grandchildren.

“My husband and I both included Hospital for Special Surgery in our wills because we were always grateful for the treatment he received there and we admired the research HSS conducts in order to provide better care for the future,” said Mrs. Farrow. “We believe it is a worthwhile institution, and one that is deserving of attention and support from people who care.” ■

Hospital for Special Surgery Named #1 Hospital for Orthopedics

In its 2007 “America’s Best Hospitals” survey, *U.S. News & World Report* has named Hospital for Special Surgery the number one hospital for orthopedics in the nation. Special Surgery also ranked third in the nation for rheumatology. For the 17th consecutive year, HSS has ranked above all other hospitals in the Northeast in orthopedics and rheumatology.

To further illustrate Hospital for Special Surgery’s leadership in orthopedics, the magazine also features HSS in an exclusive photo essay on knee replacement.

Why Make a Planned Gift?

Making charitable contributions is an art—a creative process that adapts to the changing needs and wishes of the donor. Planned giving enables you to arrange charitable contributions in ways that maximize your personal objectives while minimizing the after-tax cost.

Depending on the asset given and the gift arrangement selected, you can generally expect to obtain some or all of the following benefits:

- reduce income tax through a charitable deduction
- avoid capital-gain tax on gifts of long-term appreciated property
- retain a stream of income for life for yourself and/or other beneficiaries
- increase spendable income
- eliminate potential federal estate tax on property passing to charity at death
- reduce costs and time in estate settlement
- contribute to the continued success of Hospital for Special Surgery

If you would like to learn more about how to make planned giving vehicles work for you, please call Molly Murray, Director of Major Gifts, at (212) 606-1196. ■



THE WILSON SOCIETY

of Hospital for
Special Surgery
Summer 2007

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HSS Ranked #1

Why Make A
Planned Gift?

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

The Wilson Society
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535 East 70th Street
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For more information about
planned giving, visit us online
at www.hss.edu/plannedgiving

HOSPITAL
FOR
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SURGERY**



Providing for the Future of HSS

Mrs. Joan Farrow, a charter member of The Wilson Society, discovered Hospital for Special Surgery fifty years ago, when hospitals offering specialized orthopedic care were few and far between. Mrs. Farrow and her late husband Jesse were so impressed with the care their family has received at HSS over the years that both Mr. and Mrs. Farrow included Hospital for Special Surgery in their wills.

The Farrow family first visited Hospital for Special Surgery in 1957, when they brought their two-year-old son from Monticello, N.Y., to see Dr. Philip Wilson, Sr. Their son had been born with torticollis, a condition in which the neck tends to twist to one side. Dr. Wilson did not think that surgery was

necessary and instead referred the family to an ophthalmologist (some forms of torticollis can be attributed to vision problems). The doctor was able to fix the problem without surgery. Mrs. Farrow recalls, "We were always so grateful that Dr. Wilson did not perform a surgery that wasn't necessary and instead sent us to another doctor who could help us."

Almost 15 years later, the Farrow family once again turned to Hospital for Special Surgery when Mr. Farrow's hip joint was deteriorating. This time, Dr. Philip Wilson, Jr. performed a bone graft using bone from Mr. Farrow's hip. Two years later, Dr. Wilson performed a total hip replacement and the next year, replaced Mr. Farrow's other hip. According to Mrs. Farrow, her husband never had trouble with either of his hips from that day forward. After Mr. Farrow's first surgery, he spent three weeks at Special Surgery recovering, and his wife was with him every day. "It was such a comfortable hospital—both for him and for me," she said. "He received such wonderful treatment that we knew this was the place to come to, and one that we wanted to support."



Joan Farrow and her late husband, Jesse

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Changes for IRAs and Qualified Retirement Plans

A recent tax law simplifies distributions from IRAs, annuity contracts, 403(b) plans, and qualified retirement plans.

This issue of *The Wilson Society Newsletter* will first highlight major changes and the taxes that continue to apply to IRAs and other retirement funds and then show how retirement funds can meet both family and charitable objectives.



For over 140 years, patients from around the world have come to Hospital for Special Surgery seeking the best possible medical treatment. Philanthropic support helps HSS physicians gain access to the tools and technology needed to continue the tradition of outstanding patient care.

How the New Rules Could Benefit You

- Under the *new rules*, your **choice of beneficiaries**—whether a 30-year-old, an 80-year-old, or a charity—will have no effect on the minimum distributions from your IRA or other qualified retirement plan. Such distributions are generally required April 1 following the year you attain 70½ for IRAs or retirement, if later, for qualified plans.
- You can also **substitute** or **add beneficiaries** without affecting the minimum withdrawal schedule.
- Your beneficiaries **can choose how to receive benefits** as late as September 30 of the calendar

year following the year of your death. Some of them might elect to disclaim (give up) their interests, some might choose to be cashed out, and others might prefer to receive payments for life.

A surviving spouse can roll over the inherited benefits into his or her own retirement plan.

■ The **minimum amount** you must withdraw from your account will probably be reduced. That is because the *new rules* presume you have a beneficiary who is exactly 10 years younger than you, regardless of who the actual beneficiary is.

Taking less out of your account leaves more to continue growing on a tax-deferred basis, which allows you to accumulate more for heirs or for your own future needs.

Suppose You Don't Need the Money

Most people use distributions from their IRAs or qualified retirement plans for living expenses after they quit working. If you happen to be among those who can afford to defer distributions as long as possible and then withdraw the minimum required by law, here are percentages of your account that must be distributed at selected ages according to the new rules.

Age	Minimum Withdrawal
70	3.6496%
75	4.3668%
80	5.3476%
85	6.7568%
90	8.7719%
95	11.6279%
100	15.8730%

If your investment returns exceed these minimum withdrawals, you can expect your account to grow substantially after retirement. Then it becomes important to make plans for the disposition of the considerable amount that may remain at the end of your life.



Each year, hundreds of medical students compete for a spot in Hospital for Special Surgery's elite residency program. By including HSS in your estate plans, you can help educate and train the next generation of leaders in orthopedics and rheumatology.

New Rules Don't Eliminate Double Taxation of Funds

Distributions from IRAs and qualified retirement plans will continue to be subject to income tax. The tax is paid by the recipient—by you while you are receiving payments, by your beneficiaries following your death.

The combination of income and possibly estate taxes could approach 70% of your retirement accumulations, depending on applicable tax rates. IRAs and qualified retirement funds are likely to continue to be the most heavily taxed assets that you can leave to heirs.

Using IRAs and Qualified Retirement Funds for Charitable Gifts

As before, you will likely save more taxes when you use IRAs and other retirement funds for charitable gifts at your death than you would if you gave securities, real estate, or cash investments. But now there is the **added benefit of much greater simplicity.**

Consider first the continuing tax benefits. The funds from the IRA or qualified retirement plan that you leave to charity qualify for an estate-tax deduction and avoid income taxes because the charity is tax-exempt. Thus, you can make a significant charitable gift at relatively little cost.

Consider next the process. Under the *new rules*, all you have to do is name the charity as beneficiary of a portion of your IRA or qualified retirement funds. Following your death, that portion of the funds you designate will be paid to the charity in a lump sum, totally tax-free. The balance can be paid to beneficiaries according to the schedule you and they elect, and the charitable gift will not affect that distribution schedule.

Examples of Charitable Gifts

These examples demonstrate why you should consider using your IRA or qualified retirement fund for your contemplated charitable gifts.

Example: *Susan, a widow, rolled her late husband's IRA into her own. She would like to leave \$500,000 to HSS and the balance of her estate to her two children. Her total estate is approximately \$2,500,000 and consists of the \$500,000 in her IRA, appreciated securities worth \$1,000,000, cash investments of \$400,000, and a home and personal property worth \$600,000. What asset should she use for her charitable gift?**

Option 1—Give \$500,000 from her general estate assets to charity and the IRA to her children.

Estate-tax savings	\$225,000*
Income-tax savings	- 0 -
Total tax savings	\$225,000
Net cost of gift	<u>\$275,000</u>

Option 2—Give the IRA to charity and other assets to her children.

Estate-tax savings	\$225,000*
Estimated income-tax savings	\$ 90,750
Total tax savings	\$315,750
Net cost of gift	<u>\$184,250</u>

**No allowance is made for administrative expenses that would reduce the estate tax. Susan dies in 2007.*

General rule: Upon death, it is better to make charitable gifts with IRAs and qualified retirement funds and give cash, securities, and real estate to heirs.

Example: John creates a *charitable remainder unitrust* and names it as beneficiary of 50% of his IRA. The trust will pay his wife, Mary, 6% of its assets, as revalued annually, for the duration of her life. At her death, the trust will terminate and the remainder will be distributed to HSS. Following John's death, approximately \$500,000 from his IRA will be paid to the trust and Mary will receive about \$30,000 the first full year, an amount that will increase over the years if the trust's assets grow in value. When the IRA funds are distributed to the trust, they are subject neither to estate tax nor to income tax, so the entire amount is available for reinvestment. Mary is taxed on the distributions from the trust.



Planned gifts help Special Surgery researchers develop effective approaches for preventing, diagnosing, and treating musculoskeletal conditions.

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 Molly Murray, Director of Major Gifts, at (212) 606-1196 if you would like more information about joining The Society. ■

What About Lifetime Charitable Gifts?

Generally, retirees who reach the age of 70½ are confronted with the requirement of having to start drawing down their retirement-plan benefits even if they really do not need the funds. Failure to make the mandated withdrawals can result in significant penalties in addition to the income tax on the distribution.

Example: Bill, age 72, must take out \$100,000 from his IRA this year at a tax cost of \$35,000 in his 35% bracket. Because of a recent change in the tax law, Bill has the option (in 2007 only) of transferring up to \$100,000 directly from his IRA to the Hospital. Although he will not receive a charitable deduction for the transfer, the amount given to HSS will not be included in his gross income and thus will not be taxable.

Life-Income Option—While Bill doesn't need the full \$100,000, he would like to receive the income the \$100,000 would generate. He could establish a \$100,000 gift annuity with HSS. We will agree to pay him \$6,700 each year for as long as he lives. Because the IRA withdrawal is not transferred in full directly to the Hospital, he will face the \$35,000 tax cost. However, he will also receive a charitable income tax deduction of \$43,830, which will offset \$15,340 of the tax on his IRA withdrawal.

For More Information

For a more detailed explanation of the new rules regarding distributions from IRAs and qualified retirement plans and a discussion of personal and charitable options with these funds, please call our office or return the enclosed card for a complimentary copy of our new booklet, ***Distributions from IRAs and Qualified Retirement Plans.*** ■

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