“Helping you make a difference.”

EDITOR’S NOTE: After the launch of “Key”, we received several requests for a section in the newsletter. Letters to the Editor were born. Letters should refer to material published in the most recent newsletter and may be edited for clarity and length. In response to the guest article by Mark A. Cortazzo, CFP, on net unrealized appreciation, we received the following letter from Robert A. Murray, W’65:

When I retired at age 60, I was fortunate enough to have a substantial amount of highly appreciated company stock in my 401(k). My objective was to diversify some of these holdings without losing any of the assets’ value and obtain a steady stream of increasing cash flow for the remainder of my wife’s life and my own. I was also deeply committed to giving back to the school that helped me make my wonderful career possible.

The answer was a Charitable Remainder Unitrust (CRUT).

Here’s how it worked...

The charitable deduction I received for setting up the CRUT was more than enough to offset the ordinary income taxes due on the basis price of the stock when I removed it from the 401(k) upon retirement. Because the stock went into the CRUT and was sold by the charity, there was no tax on the capital gains. The CRUT then reinvested the total value in a diversified growth portfolio that pays me and my wife 6% annually.

My financial objectives were met: Diversity, no lost value and a steadily increasing income stream. Also, there was my commitment to Penn. A large portion of the money that remains, hopefully more than my original gift, will go to the University to fund scholarships, so that many others in the future can enjoy the same opportunities I was given.

To review the original article, visit http://www.med.upenn.planyourlegacy.org/newsletters.php

Letter from the Senior Director

BEFORE I became a gift planner, I worked as an estate and tax planning attorney. This time of year always brought a surge in business as clients asked me to update their estate planning documents prior to summer vacations. In this issue’s feature article, Allan C. Bell, Esq, C81 of Sills Cummis Epstein and Gross outlines the four key documents required in every estate plan.

In my role at PENN Medicine, I make frequent presentations to our alumni, friends, faculty members, and other constituents. In addition to information about basic — and sometimes more complex — estate planning documents, these individuals are eager for information about the constantly changing tax laws and how those changes may impact their planning. This, too, is a topic we attempt to address in this issue. We anticipate that the pace of change will accelerate, and we will do our best to make you aware of new legislation so that you and your advisors can take it into account when making your charitable giving plans.

After launching the first edition of the Key in December 2006, we received several notes and responses to the publication. We are happy that you found the information useful, and hope that you will not hesitate to contact us with ideas for future articles or comments on existing ones. From time to time we will publish some of your notes in our new “Letters to the Editor” section, which we begin in this issue. We will also continue to profile a donor who implemented creative planning techniques to facilitate a gift to PENN Medicine.

On behalf of PENN Medicine, thank you once again for including us in your long-term plans, or for considering such a gift. Together we will influence the future and create a lasting impact on our pursuit of excellence in education, research, and patient care.

Very truly yours,

Marcie L.H. Merz, J.D.
Senior Director, Planned Giving
PENN Medicine
University of Pennsylvania

UPCOMING EVENTS
Save the Date!
Medical Alumni Weekend 2007
May 11th–13th
Registration for MAW: Atrium Lobby Biomedical Research Building, 421 Curie Boulevard

MAW Estate Planning Seminar
“Building Blocks of a Tax-Wise Estate Plan”
Presenter: Marcie L.H. Merz, J.D.
3:15 p.m. to 4:15 p.m.
Room 251
Biomedical Research Building

Please check the PENN Medicine Website for Upcoming Event Information
www.med.upenn.edu/alumni

We’re Happy To Meet With You, or You Can Visit With Us On Campus!
Marcie L.H. Merz, J.D.
Senior Director, Planned Giving
PENN Medicine
University of Pennsylvania

TAX TIP!
Did you know that April 30 is Tax Freedom Day?
It will take the average American until April 30 this year to earn enough income to pay all of the different taxes they will owe for 2007.
Visit www.med.upenn.planyourlegacy.org

―integration, collaboration, service, benefit―

“Helping you make a difference.”

―Benjamin Franklin

FROM THE MEDICAL LEGACY CIRCLE OF PENN’S HARRISON SOCIETY ~ SPRING 2007

PENN Medicine
Office of Planned Giving
1335 Market Street, Suite 750
Philadelphia, PA 19104-3309
215.898.9486

Visit www.med.upenn.edu/alumni
What Estate Planning Documents Do I Need?

By Allan C. Bell, Esq., C’81

One of the most common questions asked of attorneys is what documents are needed in order to have a complete estate plan. The answer, of course, depends upon what it is you are trying to accomplish. The primary goal of most estate planning is to transfer your assets in accordance with your wishes at a minimum of administration expenses and taxes.

The basic estate planning documents consist of a will (and, in some cases, a revocable trust), a durable power of attorney, a living will/health care directive, and a HIPAA release and authorization. It is wise to have these documents reviewed at least every five years, but more frequently if Congress passes a new tax law or you have a life event in your family such as a birth, death, retirement or children reaching age 18. Your will controls the passage of property that you own in your name alone at your passing and for which there is no beneficiary designation. Without a valid will at your death, such property will pass as provided by state law which may not be consistent with your desires. Your will, then, is the only way to ensure such assets pass to those you care about, including charities like Penn. Your will also ensures that you, and not a court, designate the guardian for your minor children and the executor to administer your estate. You should also be certain that the beneficiary designations for your life insurance policies and retirement accounts match your intentions.

Your durable power of attorney appoints an agent to manage your personal and financial affairs in the event of your disability. If you were to be incapacitated in an accident or due to a health emergency, this agent would be able to pay your bills and handle other matters on your behalf. Since this agent is able to sign legally binding commitments on your behalf, it is important to choose someone you trust. Your living will/health care directive states your wishes regarding health care decisions, and may designate an agent to make such decisions in the event you are unable to do so yourself. In order to ensure this document is effective, you should provide a copy to your health care providers.

Your HIPAA release and authorization appoints an agent to receive your medical records and other health information on your behalf. Depending upon the size of your estate and your dispositive intentions, you may require more sophisticated planning with a Life Insurance Trust, Qualified Personal Residence Trust, Grantor Retained Annuity Trust, Family Limited Partnership or Family Limited Liability Company; Charitable Remainder Trust and Charitable Lead Trust, among other techniques. Due to the complex nature of estate and tax planning, be sure to seek professional advice when making your estate plans.

Tax Update

The start of 2007 brought with it a wide range of tax law changes, some automatic and some as a result of recent legislation. Highlights include:

Retirement Savings:
The maximum contribution amounts to retirement plans are:

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<td>401(k)</td>
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Roth IRA: The income limits rose for making contributions to a Roth IRA. For individuals, the amount you can contribute starts to reduce when your income reaches $99,000 and is prohibited if your income is above $114,000. For joint filers, the thresholds are $156,000 and $166,000 respectively.

Estate Tax: The federal estate tax exclusion amount remains $2 million in 2007 while the top tax rate on estates drops to 45%. There continues to be active discussion in Congress about revising the gift and estate tax laws prior to 2011, when the increased exclusion amounts in 2001 will expire.

Income Tax: The top federal income tax rate remains 35%, with individuals reporting taxable income of more than $349,700 paying that rate.

Social Security: For individuals, the first $97,500 in earnings will be subject to Social Security tax, up from $94,200 in 2006.

Alternative Minimum Tax: The alternative minimum tax is a parallel income tax system. It was enacted to limit the ability of the high-est earners to use significant income tax deductions to avoid paying any income tax. Temporary higher exemption levels for the AMT expired at the end of 2006. Without action from Congress, tax analysts estimate that up to six times as many filers will be subject to AMT in 2007, reaching well into the middle class.

Mortgage Insurance Deduction: New for 2007 is a deduction for mortgage insurance premiums. The deduction starts to phase out once adjusted gross income exceeds $50,000 for married filing separate and $100,000 for joint filers. In addition, the deduction is not allowed for policies issued prior to 2007.

Charitable Giving: As highlighted in our last issue, the Pension Protection Act of 2006 targeted many alleged abuses of charitable giving laws, resulting in significant changes to charitable giving rules. If you make a gift of cash, you will need a canceled check or receipt from the charity to claim your deduction. The rules surrounding gifts such as art, clothing and automobiles have also changed substantially. In addition, just for 2007, if you are over age 70 1/2 you can transfer up to $100,000 from your IRA to charity without being taxed and the transfer counts towards your minimum required distribution. Penn received over $1.1 million in IRA Charitable Rollover gifts in 2006; the first year such distributions were permitted.