

# PYRAMID

IDEAS ON FINANCIAL, ESTATE AND GIFT PLANNING  
FOR FRIENDS OF CLEVELAND CLINIC



## Lung Transplant Patient Gives Back

In 2004, Diane Tefft Young was diagnosed with idiopathic pulmonary fibrosis, a deadly lung disease that causes lung scarring and stiffening that eventually leads to death.

Mrs. Young, an alcohol and drug counselor at The Ohio State University, where she was diagnosed, wept on hearing this news. But ultimately, she took a pragmatic approach, working to stay healthy, finding solace in starting a fiber-arts business and spending time with her two grandchildren.

Contributing to her optimism was the fact that she did not look sick. “My disease was invisible,” she says.

In 2010, however, reality set in when the illness grew worse. She had trouble breathing and required a large amount of oxygen “all day, every day,” she says.

“The equipment was heavy and cumbersome. I would pass the large mirror in the front hall of my home, look at myself and quickly turn my head away. It was a confirmation of the reality of the progression of my illness.”

She lost her ability to perform daily tasks at home, shop for groceries or take a shower.

“I didn’t realize how close to death I was,” she says. “But that was very much me—being in the moment, just wanting to stay alive one more day.”

Mrs. Young was placed on the transplant waiting list in late August 2010, and on Oct. 10 of that year—10/10/10, as she notes—she had a lung transplant at Cleveland Clinic. Her family and friends were at her side.

“When you come close to dying and see your family standing there in front of you, you real-



Diane Tefft Young

### INSIDE: THE BENEFITS OF A CGA

ize how valuable your life is, not just to you but to the people who love you,” she says. “I don’t take the transplant for granted.”

Mrs. Young recovered well from the transplant, resuming her normal life and even writing a book about her experiences, *Humbled by the Gift of Life: Reflections on Receiving a Lung Transplant*. In gratitude for her successful surgery, she has made an estate gift to Cleveland Clinic for artwork in a transplant waiting area.

“I would like it to support a sculpture that children could touch,” she says, “something to take their minds off of why they’re there. As a grateful grandmother, I wanted to give back in a way that would touch other families. It’s my way of saying ‘thank you’ because Cleveland Clinic saved my life.”

— ELAINE DEROSA LEA



## Lower Your Taxes and Increase Cash Flow with a CGA

**W**ith the stock market on the rise, many are happy to see nice returns on their investments.

This increase in value also may result in taxable capital gains. For example, any gains realized on the sale of appreciated stock are subject to capital gains tax. For most people, that is around 15 percent to 18 percent, but it could go as high as 23.8 percent.

There is an easy solution—a charitable gift annuity (CGA). If your objectives include support for the medical mission of Cleveland Clinic, minimizing your capital gains tax and receiving income for life, you may find that establishing a CGA is simple and can be accomplished with as little as \$5,000 in cash or appreciated property.

Not only does a gift annuity offer the opportunity to receive a guaranteed income stream, but it does so based on the full fair-market value of the stock or the cash gifted. Additionally, only a portion of the capital gains of the gift of stock would be taxable, and the taxes would be spread out over the expected lifetime of the person receiving income from the annuity.

*Example\*:* Laurie, 69, owns stock worth

\$50,000, which she purchased years ago for \$10,000. At her 18.8 percent capital gains tax rate, Laurie will pay a tax of \$7,520 on her \$40,000 gain if she sells the stock.

Instead of selling her stock, Laurie elects to fund a CGA. The annuity will pay her \$2,500 each year for her lifetime, and she will realize a current income tax deduction of \$19,938—saving \$6,580 in her 33 percent tax bracket. Additionally, only \$21,600 of the \$40,000 gain is taxable, and instead of paying it all at once, the capital gains tax will be spread over her lifetime.

Annuity payout rates are based on age—the older you are, the higher the rate of return. In most cases, the payout will be higher than it would be for other popular income-producing investments such as CDs, money market funds or savings accounts.

Another advantage of a CGA is that a significant part of the annuity payment would not be considered taxable income. Instead, it would be a tax-free return of the principal that you have invested in the CGA.

The income stream from a gift annuity can benefit you, you and your spouse or any person

you name and is guaranteed for life. The amount will never decrease, and it is backed by the assets of Cleveland Clinic. Most often, payments are made quarterly, and any remaining balance at the end of the annuity can benefit the Cleveland Clinic institute or program of your choice.

Donors establishing a CGA also have the option of delaying annuity payments in exchange for a higher rate of return. With a *deferred charitable gift annuity*, a donor can delay payment for a specified period of time. Another option is a *flexible deferred gift annuity*, from which payments are deferred for at least a year and can be activated at some point in the future when additional income may be needed, perhaps at retirement. These

creative strategies allow you to enjoy immediate tax benefits, often larger ones, while locking in higher annuity rates for the future.

There's more good news. The IRS discount rate has risen in 2017, meaning that you get a larger charitable tax deduction when establishing a gift annuity.

Because of the simplicity of a gift annuity and the low minimum gift amount, many people opt to establish more than one annuity over time to take advantage of the tax benefits and guaranteed income stream.

If you would like to see a sample charitable gift annuity calculation based on your age and learn more about the potential tax benefits, please contact Anne Corrette at 216.444.1251 or correta@ccf.org.

## Gift Annuity Funded with Cash vs. Appreciated Stock

At first glance, a charitable gift annuity funded with cash may appear to be the better choice. However, a closer look shows that a gift annuity funded with appreciated stock offers an additional benefit: The capital gains tax is reduced, and whatever remains is spread over the recipient's expected lifetime.

Consider the comparison chart below. Laurie's charitable deduction and the annual payment remain the same. However, the difference is in the taxation of the payments. Since there is no capital gain to consider with a cash gift, there is a large tax-free portion of the payments. However, funding with appreciated stock means that the taxable portion of \$1,440 in her 18.8 percent



capital gains tax bracket leaves her owing only \$271 (\$1,440 x 18.8%) per year. Over her 16-year expected lifetime, the total in capital gains tax she will pay is \$4,336 instead of the full \$7,520 (\$40,000 x 18.8 percent).

\$50,000 CHARITABLE GIFT ANNUITY		
	Funded with Cash	Funded with Stock
Gift Donated	\$50,000	\$50,000
Cost Basis	\$50,000	\$10,000
Charitable Deduction	\$19,938	\$19,938
Annual Payment	\$2,500	\$2,500
Taxation of Payments		
Tax-Free Portion*	\$1,800	\$360
Capital Gain Income* 18.8%	\$0	\$1,440
Ordinary Income 33%	\$700	\$700

\*The examples in this newsletter are not based on actual benefactors.

## Ways to give

Gift annuities offer advantages to the giver as well as the chosen charity. Additionally, there are other ways to make a charitable gift that present different benefits. To explore these options and help you determine the one that fits your situation, we invite you to complete and return the enclosed prepaid reply envelope to request your Cleveland Clinic *Ways to Give* brochure.

If you would like sample personalized gift annuity

calculations, or wish to discuss, in confidence, a plan that best suits your needs, please call Cleveland Clinic's gift planning professionals at **216.444.1245**. You also may send an email request to **a.corrette@ccf.org**. We look forward to assisting you.

## Pyramid Legacy Society

The Pyramid Legacy Society celebrates its silver anniversary this year. It was

established in 1992 to honor and show appreciation to friends, patients and alumni who are building a legacy of hope for Cleveland Clinic with their support. We are deeply grateful to our worldwide members whose generosity and vision allow us to continue providing the highest-quality patient care, advancing research and furthering education.

Currently, there are over 1,500 members. If you have included Cleveland Clinic in your estate plan, please let us know. We would like to thank you and welcome you as a member of the Pyramid Legacy Society.



## Contact Us

We are here to help when you would like more information about making an outright or a planned gift to support Cleveland Clinic. You can reach us by:

- **Visiting** us online at **[clevelandclinic.org/giving](http://clevelandclinic.org/giving)**
- **Returning** the attached reply card
- **Calling** us toll free at **800.223.2273**, ext. **41245** or **216.444.1245**
- **Emailing** us at **[a.corrette@ccf.org](mailto:a.corrette@ccf.org)**

To view past publications, please visit: **[powerofeveryone.org](http://powerofeveryone.org)**

## ALLIED PARTNERS IN PHILANTHROPY

Allied Partners in Philanthropy is a society established by Cleveland Clinic to thank and recognize allied professionals (attorneys, accountants, bankers, brokers, financial planners, etc.) who have helped facilitate a charitable gift to Cleveland Clinic.

If you have assisted your client with a gift to Cleveland Clinic, please contact Amanda Steyer, Esq., at 216.444.5021. Or send an email to **[steyera@ccf.org](mailto:steyera@ccf.org)**.

### NEW MEMBERS:

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