The Neiswanger Institute for Bioethics and Health Policy at Loyola University Chicago Stritch School of Medicine will receive more than $2 million in funding from the estate of its namesake, Walter E. Neiswanger, MD. The gift will help to ensure that the institute will continue to thrive and serve as a valuable resource for current and future physicians. The Neiswanger Institute offers a curriculum stressing bioethics, health policy, service to the underserved, leadership, and professionalism in student, resident, and physician training.

In his lifetime, Dr. Neiswanger established two charitable remainder unitrusts (CRUTs). To create a charitable remainder unitrust, a donor irrevocably transfers assets to a trustee, such as Loyola University Chicago, for the benefit of Stritch. The trustee invests the assets and pays a fixed percentage of the fair-market value of the trust’s assets each year to the donors or their beneficiaries for their lifetime or a period of years not to exceed 20. When the payments end, the assets in the trust pass to Stritch. In the year of establishing the trust, donors may qualify to receive a charitable income-tax deduction equal to the remainder value of the gift to Stritch.

The first CRUT has funded three new initiatives at the institute: a scholarship fund, a visiting professorship, and an academic fellowship. The majority was used to establish the Walter B. and Katherine M. Neiswanger Scholarship Fund. Named after the donor’s parents, the scholarship will be awarded to one student in each class year for an amount determined by Stritch.

One-quarter of the CRUT will go toward the Francis H. Neiswanger Distinguished Visiting Professor Endowment. Named after the donor’s brother, the endowment fund will be used to defray the costs of visiting professors who give lectures on ethics topics at the Neiswanger Institute. The rest of the gift will be used to establish the Walter E. Neiswanger Academic Fellowship for a student with an academic concentration in ethics. The second CRUT will endow a $1 million fund to be used at the discretion of the institute director. An endowment is a gift where the principal is held by the University in perpetuity, with the income used for the stated purpose.

“Walter was deeply committed to social justice, bioethics, and Stritch,” says Mark Kuczewski, PhD, director, Neiswanger Institute for Bioethics and Health Policy. “I am grateful for his support and his foresight in leaving a lasting legacy on Stritch through his estate. He will always be remembered for his generosity.”

Dr. Neiswanger, a 1952 alumnus of Stritch, served on the Advisory Council for Stritch and Loyola University Health System. In 1996, he was presented with the Stritch Medal of Honor, an award given annually to a distinguished Stritch alumnus or faculty member. He passed away in May 2007, but his dedication to social justice and his alma mater will live on through the institute.
A committed family man, Charles D. Martin, MD, feels a responsibility to assist the institution that enabled him to provide for his family. “I had an obligation to provide for my family first,” Dr. Martin says. “Then I turned my attention to the place that helped me provide for my family—Loyola University Chicago Stritch School of Medicine.”

A native of Pittsburgh, Dr. Martin fondly recalls his time getting to know Chicago and his classmates. “I spent my first two years hating Chicago because I was homesick, and the next two not wanting to leave,” he jokes. At the time of his retirement, he was practicing at University of Pittsburgh Medical Center South Side Hospital. He has practiced at several other Pittsburgh hospitals including St. Joseph Hospital, Jefferson Regional Medical Center, and Mercy Hospital of Pittsburgh, where he met his wife, a nurse. Dr. and Mrs. Martin have been married for 54 years and have four grown children and seven grandchildren.

Dr. Martin believes all Stritch alumni should share his sense of responsibility toward the institution that prepared them for their lifelong careers. “I would encourage all physicians to share this obligation in gratitude for their learning at Stritch.”

Fourth-year medical students recently celebrated Match Day, a special day during which they learn where they will be residents in subsequent years. This year, 137 students graduating from Stritch were matched at many of the finest hospitals in the nation. They will be training in 22 different residency disciplines at hospitals in 24 states. Congratulations to all of the newly matched Stritch students and best wishes for success and happiness in the future.

A 1947 Stritch alumnus, Dr. Martin retired in 1999 after approximately 50 years as a general practitioner. “The last of the species,” he jokes. Dr. Martin found his studies at Stritch challenging. “My teachers had me working harder than I had ever worked before. The first year was the most difficult, but the disciplined studying was good for me,” he continues. “Stritch did a good job of preparing me for my 50 years as a doctor.”
Charitable giving doesn’t have to be a one-way proposition. It is possible to make a charitable gift and actually have an income stream flow back to you—all while generating valuable income-tax benefits.

In this issue of Caring for Our Future, we explore how gift annuities work and some of the tremendous planning opportunities they present. Perhaps you will find that a charitable gift annuity is your kind of charitable giving plan.

What exactly is a charitable gift annuity?

At its heart, a gift annuity is simply a contract between a donor and a charity, such as Loyola University Chicago. In exchange for a gift of a specified amount, we agree to make specified annual payments for life to one or two beneficiaries (annuitants).

Are the funds I contribute for a gift annuity set aside and invested to secure my annual income payments?

Actually, the annuitant’s security goes far beyond the specific funds contributed for a gift annuity. Our obligation to make gift annuity payments is backed by all the assets of Loyola, not just the amount contributed for any individual gift annuity.

How are the payout rates determined?

All charities are free to set the rates they offer, as long as the rates comply with any applicable state regulations. Generally, charities choose to follow the schedule of recommended maximum rates published by the American Council on Gift Annuities. These recommended rates change from time to time, based on a variety of economic factors. (Any changes would affect only newly issued annuities.) The chart below shows the rates available through June 30, 2008, for annuitants of various representative ages. Please note that payout rates will decrease as of July 1, 2008.

Note: The deduction is also affected slightly by both a federal discount rate that changes from month to month and the frequency of payouts. See chart for representative deductions.

How are the gift annuity payouts I receive taxed?

For tax purposes, a gift annuity contribution is treated as part gift and part purchase of an annuity. The gift portion is the amount deductible the year you create the gift annuity. The balance is treated as the purchase price for the annuity. It is treated as a return of your original “investment” and comes back to you tax-free over your life expectancy.

Example: George N, 68, contributes $40,000 for a charitable gift annuity. Each year he will get payments of $2,520. Of that amount, $1,492 is treated as a tax-free return of his gift.

I am married. Can income payments be made as long as either one of us is alive?

Absolutely. A gift annuity can be created to pay one or two annuitants for life. It can pay either the donor or the donor and his or her spouse jointly and then the survivor.

How is my charitable tax deduction determined?

The charitable deduction is equal to the difference between the amount of the contribution and the value of payments to the annuitant(s). Deductions are lower for younger people since they are likely to live longer. Similarly, deductions are lower when there are two annuitants rather than one.

Act now!

The payout rates for charitable gift annuities will drop, effective July 1, 2008. You can secure more income for life by making your gift by June 30, 2008. Contact our office today to learn how much income your gift could generate!
The charitable gift annuity continued

“investment,” and the balance is treated as ordinary income. If George lives longer than his life expectancy of 17.5 years, all of his payments thereafter will be treated as ordinary income.

Can I give stock instead?

Most definitely. If you own stock for more than 12 months, any gain you realize on its sale would be subject to capital-gain tax at rates up to 15 percent.

On the other hand, if you use appreciated stock to fund a gift annuity and retain annual payments for yourself, only a portion of the gain would be taxable—and recognizable in equal amounts over your life expectancy.

If you designate someone other than yourself to receive the annual income, the amount of gain you must recognize is still reduced if compared to a sale, but you must recognize all of it in the year you create the gift annuity.

How do returns on gift annuities compare with returns on regular investments?

It is important to remember that a charitable gift annuity is a charitable giving plan. It is not an investment. However, if annual net spendable cash flow is a major objective for you, a charitable gift annuity compares quite favorably with regular investments.

For more information:

If you have additional questions or just would like additional information, please contact our office at 708.216.5642. To receive a complimentary copy of 12 Ways a Charitable Gift Annuity May Benefit You, simply return the enclosed card.