Pennock Foundation

The Pennock Promise

Spring 2011

Pennock Announces Dialysis Services Coming to Barry County

Over the past two years, the Pennock Board of Trustees, leadership and staff have investigated the need for dialysis in Barry County and have worked through the organization's strategic plan to offer such services here. The results of the investigative portion showed that, within a 15-mile radius of Pennock Hospital, there are 289 patients in the area receiving treatment for kidney-related diseases; 77 patients in the late stages of kidney failure; and 42 patients receiving dialysis services. One hundred percent of these patients are currently receiving care outside Barry County and travel an average of 45 minutes to the nearest dialysis center.

Many of you know that Pennock is a non-profit hospital and works very closely with the Pennock Foundation, as the mission of the Foundation is to support the health and well-being of the residents served by Pennock Health Services. When our Foundation Board met in January and discussed the scope of the project, we agreed to embark on a half million-dollar capital campaign to raise the additional funds.

We are pleased to announce that, within the first week of our fundraising efforts for a dialysis center, Larry and Earlene Baum have stepped forward to support our community in the form of a very generous donation to the Pennock Foundation.

The new dialysis center will be the first in Barry County. Pennock is collaborating with the Baums and Fresenius Medical Care. Two new nephrologists, Dr. Peter Manring and Dr. Joon Park, have joined the Pennock Medical Staff and will be supporting the Center. Fresenius will staff and operate the Center.

The investment to bring dialysis to Hastings and Barry County will be just over $1 million, half of which Fresenius committed to investing. The Fresenius investment will pay for the dialysis equipment, leaving a half million-dollar investment to renovate the building into usable medical space.

The 5,500-square-foot Center will be located at 1230 W. State Street. The building will house dialysis and the current occupants, Pennock Home Care, Hospice, and Financial Services. Site construction would begin in April with project completion slated for fall of 2011.

The building will be renamed in honor of Larry and Earlene. The Baums have demonstrated diversity in their understanding of Barry County, and have humbly met the needs in their community. They are committed to healthcare and the mission of the Pennock Foundation, and we are thankful to be the recipient of such a wonderful gift.

To have dialysis services provided locally will be a blessing to our patients. Please join me in thanking Larry and Earlene.

Regards,

Janine Dalman

Janine Dalman
Executive Director

Tax Legislation May Lead to a Capital Idea

Favorable 15% tax rates on long-term capital gains have been extended through 2012 under the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. For investors, that can mean considerable savings on the sale of stock owned more than a year. The chart below shows how capital gains are currently taxed:

Tax Bracket	10% 15%	25% 28% 33% 35%
Short-term gains (held 12 months or less)	taxed as ordinary income	taxed as ordinary income
Long-term gains (held more than 12 months)	0%	15%

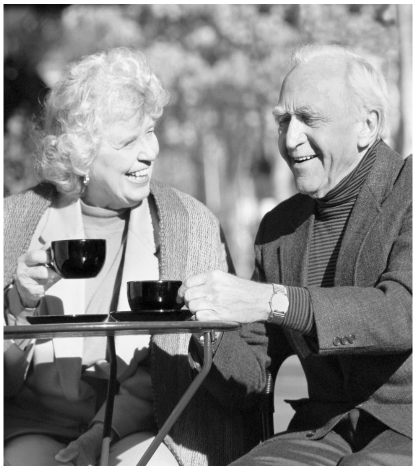
Capital gains rates originally were scheduled to increase this year to 20%. The new law means that a taxpayer in the 35% tax bracket will still pay tax on a long-term gain at only a 15% rate – less than half the tax payable on interest or short-term gains.

Another way to benefit from assets that have increased in value – and avoid capital gains tax entirely – is to contribute them to charity. A gift of long-term capital gain property (stocks, mutual fund shares, bonds, real estate) is deductible at its fair market value, not what the donor originally paid. The deduction for short-term assets is limited to the donor's purchase price. Therefore, it's important to consider how long assets have been held when making a gift to charity.

Note: You can retain income for life from your gift of capital gain property. Please call us for details.

IRA Gifts Back for Another Year

The provision allowing donors age 70½ and older to make gifts to charity directly from an IRA has been renewed. Through 2011, a donor may tell the custodian of an IRA to make gifts, up to $100,000, to organizations such as ours. These qualified charitable distributions can take the place of a donor's required minimum distributions, reducing the income tax that would have been due had the donor received the funds instead. There is no charitable deduction for IRA gifts.



Gifts must come directly from the IRA custodian. The donor should not make a withdrawal and then write a check to charity. Only quali-fied public charities are eligible recipients of a charitable distribution. Gifts to donor advised funds, private foundations and supporting organizations are not permitted. Gifts must be outright, not in the form of a charitable remainder trust, gift annuity or other life income arrangement.

If you're thinking of making a gift to us from your IRA, please let us know so that we may properly receive and acknowledge the gift.

Are Wills Obsolete? Certainly Not

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 raised the federal estate tax credit, which was to have sheltered only $1 million beginning in 2011. For 2011 and 2012, estates are now exempted up to $5 million. Does that mean estate planning is only necessary for the ultra-wealthy? Consider that:

- the more generous estate tax credit only lasts two years and is then scheduled to drop back to $1 million in 2013;
- state estate and inheritance taxes may affect estates at much lower levels; and
- income taxes may be a problem for people who leave retirement accounts to family members.

Keep in mind that estate planning is not limited to estate *tax* planning. It's the only way to guarantee that the assets you've worked hard to acquire pass as you wish, not how the state where you live determines.

A thoughtful estate plan is also needed if you wish to leave a bequest to benefit our future. We would be pleased to show you how you can provide continued support at surprisingly little cost to family members. Just give us a call.

The Estate Tax's New Feature – Portability

Prior to the new tax law, if the estate tax credit was not fully used, it died with the individual. Now, at least for married couples, the surviving spouse can "inherit" the unused portion. That means that a husband and wife can shelter $10 million, without the need for rebalancing ownership of assets or the use of trusts.

For example, if a husband uses only $2 million of his $5 million exemption, his wife can employ the unused $3 million exemption, in addition to her own $5 million. However, if the wife remarries and her second husband dies having used $4 million of exemption, the wife is limited to his unused $1 million and her own $5 million, but not the unused portion of her first husband's exemption.

To preserve the unused exemption, an election must be made on an estate tax return filed when the first spouse dies, even if no estate tax is due. The new portability feature does not mean that estate planning is unnecessary, however. A credit shelter trust that uses the full estate tax credit will pass to family members free of further estate tax, even if the trust grows in value. A trust can also provide creditor protection to family members and can be drafted to take advantage of any increases in the estate tax exemption after 2012. Ask your financial adviser how the portability feature benefits your particular estate.

Noteworthy Numbers

If the income tax charitable deduction were eliminated, 67% of wealthy households – those with incomes over $200,000 and/or a net worth of at least $1 million, excluding the value of their primary residence – would somewhat or dramatically reduce their charitable giving. However, if the estate tax were repealed, 43% of those same households would somewhat or dramatically increase the amount left to charity in an estate plan.

Source: 2010 Study of High Net Worth Philanthropy, Bank of America Merrill Lynch study conducted by The Center on Philanthropy at Indiana University.

THE PENNOCK PROMISE

Estate Planning Under the New Rules

Congress voted last December to exempt 99.9% of Americans from federal gift, estate and generation-skipping transfer taxes, which invites the question: Do I still need estate planning? Even if higher exemptions are extended, Americans still need to be concerned with:

■ *Inheritance tax and state estate taxes*. A total of 22 states impose estate taxes or inheritance taxes, at rates up to 15% in some cases.

■ *Tax-burdened assets*. IRAs, U.S. savings bonds and other assets may lose much of their value because heirs are subject to income tax on these assets.

■ *Personal considerations*. Trusts or other arrangements may be needed to provide money management or investment assistance to beneficiaries who aren't good with finances.

■ *Costs and delays of probate*. Many individuals are surprised at how long it took to administer the estate of a family member who passed away – and the high cost of estate administration.

■ *Thoughtful distribution of assets*. Most people would prefer that their assets be distributed in a manner that keeps peace in their families. Many others would like to leave behind a legacy that makes for a better world – perhaps perpetuating the important work of the Pennock Foundation.

We have a timely publication, ***Estate Planning Under the New Rules***, that covers all these topics and offers planning strategies. Simply return the enclosed card for your copy.

Welcome new board member, David Baum. Dave is a lifelong resident of Hastings and President of Hastings Fiberglass. Dave is also a member of the Pennock Hospital Board of Trustees and acts as the Hospital Board liaison for the Foundation, the role previously held by retired trustee Jack Walker.

PENNOCK FOUNDATION

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