



The Benefactor

IDEAS FOR FINANCIAL, GIFT AND ESTATE PLANNING

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Inside This Issue:

Investing During Turbulent Times

Year-End Planning with an Eye Toward Next Year's Tax Changes

Congress Gives Short-Term Relief

The Charitable Deduction and Puget Sound Blood Center

Looking Back, Forward, and to You

Did you know that Puget Sound Blood Center is one of only four labs in the U.S. conducting research in transfusion medicine? When you consider that two-thirds of the population is likely to need a transfusion at some point, the Blood Center's research to seek the safest and most efficacious blood transfusion methods is more important than ever. The Blood Center continues its leadership in transfusion research with the commitment that has characterized the organization since its founding 60 years ago.

Research has been part of the Blood Center's mission since its beginnings as the King County Central Blood Bank in 1944. Its first director, Dr. Richard Czajkowski, was passionate about achieving high standards for blood banking, which led him to establish a culture of inquiry and exploration. In 1949, the Blood Center formalized an agreement with the University of Washington to collaborate in blood-related research. By 1950, Dr. Clement Finch, the first director of the

hematology division at UW, received \$13,000 from the National Institutes of Health (NIH) to begin transfused red blood cell studies at the Blood Center, thereby establishing a collaborative environment in which our researchers

could flourish. A little more than 50 years later, in 2003, the NIH awarded \$2.9 million in competitively funded grants to Blood Center researchers.

However, as you may know, an NIH grant does not include money for equipment shared by more than one researcher. Equipment, such as a cell sorter, are in the \$150,000 to \$350,000 range per instrument. Also, NIH funding growth is not

keeping pace with the pool of worthy applications. In addition, priorities are shifting and the NIH is currently emphasizing research in bio-terrorism. In the face of reduced prospects of funding from the NIH in the years ahead, the Blood Center is now challenged to raise significant private funds to retain and

(continued on page 2)



Dr. Clement A. Finch was honored at the Blood Center's 2004 Benefactors Dinner



Investing During Turbulent Times

A particularly sinister Chinese curse is said to declare: “May you live in interesting times.”

This issue of *The Benefactor* offers ideas on year-end tax, investment and financial planning for what certainly has been an “interesting” year. So far in 2004, we’ve seen stock market volatility, foreign crises, soaring gasoline prices and tumultuous political campaigning . . . and it isn’t over yet.

How should people respond to such relentless change – particularly when it comes to their investments? Many experts encourage investors to stick with their long-term plans, but suggest that they review and reevaluate their investment goals, risk tolerance and asset allocation, and make adjustments as needed.

Risk tolerance and asset allocation generally relate to your age, income, net worth, attitude toward risk and whether you could afford to lose some of your principal. People with low risk tolerance should stay with low risk investments, such as government bonds and savings accounts, with some blue chip common stocks, mutual funds and high grade corporation bonds thrown in as a hedge against inflation. Those with a higher risk tolerance might invest a larger percentage in equities, or even some riskier ventures such as oil

and gas ventures or new issues of stocks and bonds.

It’s vitally important to ask yourself, “What am I trying to accomplish through my investing?” Investment goals change as a person grows older. Young parents may seek to build capital for an emergency fund, education of children or a secure retirement. Older people, on the other hand, usually aim at living independently in retirement (“I just don’t want to be a burden on anyone”), while enjoying all life has to offer through travel, pursuit of hobbies and other activities.

Many retirees hope that they can be in a position to provide financial assistance to children and grandchildren if needed, and eventually leave behind a legacy to their families and the important



causes and institutions they supported all their lives.

As you map out the remainder of this year and the years ahead, we hope that you will consider making Puget Sound Blood Center a part of your own legacy. We can provide you with information and specific illustrations on ways that you can help us perpetuate our mission, all in the context of security for your family and satisfaction for you personally. We encourage you to send for the planning booklet offered in this newsletter and to call us with any questions.

Looking Back . . . *(continued from page 1)*

attract young physician scientists.

As you look to improve your own prospects for the remainder of 2004 and the years ahead, we hope that you will consider making Puget Sound Blood Center a part of your philanthropic and estate plan. We can provide you with information and specific illustrations on ways you can help us fulfill our mission, all in the context of security for your family and personal satisfaction for you. We encourage you to send for the planning booklet offered in this newsletter and to call us with any questions.

Year-End Planning with an Eye Toward Next Year's Tax Changes

In addition to the usual year-end tax advice, taxpayers need to keep in mind some changes that will take effect starting in 2005. Before December 31:

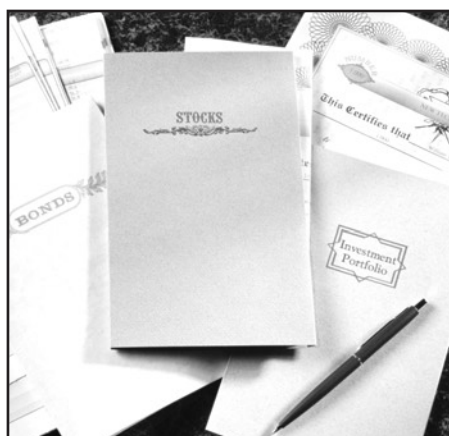
- Ask your financial adviser if your portfolio needs to be realigned. Try to offset capital gains with the sale of stock that has gone down in value. You can also use capital losses to offset up to \$3,000 of other income.

- Watch your required minimum distributions from qualified retirement plans, particularly if you turned 70½ this year.

Although you can postpone your first withdrawal until April 1, 2005, a distribution this year avoids a double distribution next year.

- Take advantage of the gift tax annual exclusion to pass up to \$11,000 to family members. If you make your gift using appreciated securities, younger family members may pay capital gains tax at only a 5% rate, rather than your 15% rate.

- Consider a gift to Puget Sound Blood Center. You can mail your check as late as December 31 to qualify for a deduction for 2004. If you plan to give stock or mutual



fund shares, please call our office for transfer instructions. Make your gift early enough for the transfer to be completed by year's end.

Some special considerations to discuss with your tax adviser:

- The maximum contribution to an IRA increases from \$3,000 to \$4,000. Employees covered by a 401(k) plan will be able to contribute up to \$14,000, with an additional \$4,000 catch-up amount available for those age 50 and older. The catch-up contribution for IRAs remains at \$500 in 2005.

- The top estate tax rate drops from 48% to 47% for estates in excess of \$2 million. If your estate plan doesn't take advantage of the coming increases in the estate tax credit (\$2 million in 2006, \$3.5 million in 2009), see your attorney.

Congress Gives Short-Term Relief

Several tax provisions that were to expire at the end of 2004 have been extended as part of the Working Families Tax Relief Act of 2004.

- The 10% income tax bracket, which was to have dropped to the first \$6,000 of taxable income, will become \$7,300 for single filers in 2005. For joint returns, the cap becomes \$14,600 (both are adjusted for inflation).

- The standard deduction for married couples was to decrease relative to the deduction for single taxpayers. Instead, the standard deduction for joint filers will remain twice that of singles through 2010.

- The alternative minimum tax (AMT) exemption amount was to drop to \$45,000 for married couples and \$33,750 for single taxpayers, making more taxpayers subject to AMT. The tax act extends the exemptions, for one year only, at their 2004 levels of \$58,000 and \$40,250 respectively.

The Charitable Deduction and Puget Sound Blood Center

Every dollar you bequeath to Puget Sound Blood Center – or the value of any property you leave to the Blood Center – will be completely deductible for federal estate tax purposes.

Indeed, if you prefer to name Puget Sound Blood Center as the beneficiary of an insurance policy on your life, the proceeds of the policy will be tax deductible. Or if you decide to create a lifetime trust for the Blood Center, the value of our interest will qualify for an estate tax deduction.

The tax savings that result from a charitable deduction can also be made available for friends who wish to bequeath their residence or farm to Puget Sound Blood Center subject to the right of a family member to occupy and use the farm or residence for life.

A trust set up in your will for the immediate benefit of your

family and the ultimate benefit of Puget Sound Blood Center will also give rise to a valuable estate tax deduction.

*Your bequest will be a source
of continuing satisfaction
as the years pass.*

If the federal estate tax is a threat to your estate, keep in mind that everything you leave to Puget Sound Blood Center is tax deductible and that a trust established for the Blood Center can actually increase the spendable income available to your family.

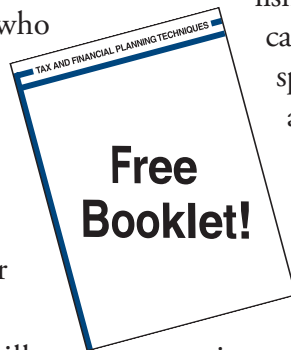
Clearly, there is great flexibility available to help you plan your tax-favored bequest to support transfusion medicine. A well-planned

charitable bequest is so important to

our friends that we have made available an easy-to-read booklet on the subject of tax-favored bequests. For your copy of *Tax and Financial Planning Techniques*, simply return the enclosed card.

*W*e hope you include a bequest to Puget Sound Blood Center as part of your thoughtful will. Your bequest will be a source of continuing satisfaction as the years pass, as you take pride in the knowledge that our achievements will also be your achievements. As a final step, why not drop a note to tell us the good news of your bequest?

We would like to know of your plans for a bequest so that we may make our own plans, proceed with vital work, and most of all, express our gratitude to you now.



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This publication is prepared for donors and friends of Puget Sound Blood Center. Its purpose is to present ideas and current developments that may be helpful in your financial and estate planning. The items contained herein are based upon current tax laws and regulations and are offered for general purposes. You should consult your attorney or financial adviser as to the applicability of any item to your own situation.