



FOUNDATION

A Newsletter of The Academy of Medicine Education Foundation

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History

In 1958, the Cuyahoga County Medical Foundation was formed by the physician leadership of the medical society then known as the Academy of Medicine of Cleveland and Cuyahoga County Medical Association. Original funding for the CCMF came from voluntary contributions as a result of a successful polio vaccination program sponsored by the Academy of Medicine of Cleveland in the years 1958 and 1962. The largest continuing commitment of CCMF was student scholarship grants to worthy students in the medical field. Since 1958, CCMF granted more than 1.3 million to such qualified students.

In 1999, the formerly known Academy of Medicine of Cleveland became the Academy of Medicine of Cleveland/Northern Ohio Medical Association (AMC/NOMA). Due to this organizational name change, the AMC/NOMA physician leadership established a foundation known as the Academy of Medicine Education Foundation (AMEF). On December 1, 2004, the foundation formerly known as the Cuyahoga County Medical Foundation (CCMF) officially merged into the Academy of Medicine Education Foundation (AMEF). AMEF intends to continue the traditions and purpose of the CCMF. ■

The Role of AMEF

The AMEF board will meet periodically to determine the appropriate direction of foundation funds. The board may apply the funds to the following charitable and educational purposes:

- Promoting education and research in the field of medicine by the establishment or financing of fellowships, scholarships, lectures, projects and awards on such terms as the Trustees deem best;
- Providing and promoting educational programs on the science of medicine, including presentations on clinical care and new procedures;
- Providing and promoting health education for the welfare of the community, identifying public health issues and unmet community health care needs and make proposals for dealing with such issues and filling such needs for the benefit of the public;
- Maintaining and providing educational materials and publications concerning health care to the members, related public service organizations and citizens of the community;
- Supporting medical education at local medical schools by providing lectures and counseling services;
- Supporting local public health programs and initiatives;
- Sponsoring seminars on topics of medical education and public health issues;
- Assisting in the production of educational radio and television programs, telephone recordings, and computer and electronic programs and materials, designed in each case to educate members of the general public on matters of health care and public health issues;
- Making grants, donations, or contributions of funds or other property in the trust estate to other charitable, scientific, and educational trusts, organizations or institutions, organized and operated for any of the purposes set forth in subparagraphs above, or for uses that are in furtherance of any of the other purposes of this Trust, including for medical research and education, public health programs, and public and community education relating to health care and wellness programs, provided that no part of the net income of such trusts, organizations, or institutions inures to the benefit of any private shareholder or individual and that no substantial part of the activity of such trust, organization, or institution is the carrying on of propaganda, or otherwise attempting to influence legislation, or participating or intervening in any political campaign. ■

Mission

The mission of AMEF is to enhance healthcare through education of the medical profession and the community at large. The purpose of AMEF is to add a charitable component to the AMC/NOMA and to partner with the AMC/NOMA in implementing new initiatives for both physicians and the patient population through charitable, educational and scientific efforts. AMEF enhances the philosophy of the AMC/NOMA in its focus on health oriented education for physicians, their staff and patients by providing support for meaningful education and highlighting the value and quality of healthcare. A showcase for a philanthropic spirit is provided through the Foundation for physicians who desire to give back to the community and the profession they serve.

Scholarships

AMEF awards scholarships each year to third and fourth year medical students (M.D/D.O.) who are or were residents of Cuyahoga, Summit, Lake, Geauga, Ashtabula, Lorain or Portage counties, and who demonstrated an interest in being involved in organized medicine and community activities. Applicants must also possess leadership skills and demonstrate academic achievement. AMEF scholarships will be awarded to third and fourth year medical students attending the following: Case Western Reserve University School of Medicine, Cleveland Clinic Lerner College of Medicine of Case, Northeastern Ohio Universities College of Medicine, and Ohio University College of Medicine.

Applications are due no later than January 31st of the year in which the student is to begin their third or fourth year of study. Scholarship recipients will receive their award at the Annual Meeting of the Academy of Medicine of Cleveland / Northern Ohio Medical Association in April of that same year. ■

Foundation Activities

In addition to student scholarships, the Foundation has historically initiated many programs of benefit to the community at large including the creation of and funding for: the Sabin Oral Sunday initiative as well as a polio and tetanus immunity program; the Poison Information/Control Center; the Tel-Med project, a program that provided medical care to local unemployed residents and has co-sponsored and funded various healthcare-related seminars and programs across Northeast Ohio for decades. ■

Foundation Events

The AMEF board also approved co-sponsoring annual seminars organized by the Academy of Medicine of Cleveland/ Northern Ohio Medical Association (AMC/NOMA.) For example, the March 2005 seminar entitled “Developing New Directives for Addressing Patient Safety and Medical Liability in Northern Ohio,” which outlined various forms of alternative dispute resolution mechanisms as well as valuable information on how to bridge the gap between patient safety and medical liability was co-sponsored by AMEF.

In addition, AMEF provides co-sponsorship of the well-established and award-winning *Healthlines* radio program, which provides healthcare-related information from expert member physicians to the community. This sponsorship affords AMEF the

opportunity to establish itself in the community. **Be sure to tune into *Healthlines* on WCLV 104.9 the week of October 3rd to learn more about the CCMF/AMEF merger. *Healthlines* airs at 5:45 p.m. Monday, Wednesday and Friday.**

Every year in August, AMEF sponsors an event designed specifically to raise funds for the foundation. A charitable golf outing in memory of Marissa Rose Biddlestone, daughter of the AMC/NOMA Executive Vice President and CEO, who succumbed to leukemia. In its first two years, the annual outing has raised more than \$73,000 for the foundation—funds that will be utilized for local medical student scholarships and the aforementioned AMEF projects. ■

Donations/Contributions

Did you know that contributions made by December 31st of the year can reduce taxes on returns filed by April 15th of the following year and that missing that date delays tax savings for a full year? That is why charitable gifts should be made well before Christmas. Timing is everything where year-end tax donations are involved, so don't delay. Plan as if the year ends on December 15th.

The AMEF is a 501(c)(3) tax-exempt organization dedicated to the improvement of health care. The AMEF touches the lives of physicians, medical school students and citizens across the region, through scholarships, community health projects and education. Please review the numerous opportunities to be involved in the Foundation's efforts and consider making a donation. All donations are fully tax-deductible. If you have any questions please e-mail Secretary-Treasurer Elayne Biddlestone at ebiddlestone@amcnoma.org or call her at (216) 520-1000, ext. 321.

Cash Donations

To donate by check, simply send your gift by mail to AMEF, 6000 Rockside Woods Blvd., Ste, 150, Independence, Ohio 44131. AMEF accepts donations made with payments through Visa or MasterCard, please call (216) 520-1000 ext. 321 to make a credit card gift to the Foundation.

Stock Gifts

Gifts of appreciated stock are a convenient way to contribute to the AMEF. There are often many tax benefits for donors through tax deductions for the full fair-market value of the contributed stock, and avoidance of taxes on capital gains. For more information about this type of giving, please call AMEF at (216) 520-1000, ext. 321.

Tribute Gifts

Remembering or honoring a family member, friend, loved one or colleague by making a gift to AMEF is a meaningful gesture. Any gift to the AMEF may be made “in memory of” or “in honor of” someone or some occasion. For information on this type of giving, you may contact AMEF at (216) 520-1000, ext. 321.

Planned Gifts

AMEF can help you learn more about planned giving. Planned gifts offer many benefits through tax deductions and/or reducing estate taxes. **For information on this type of charitable giving contact AMEF at (216) 520-1000, or kindly take the time to review the enclosed AMEF brochure, “Leaving a Gift to Your Profession” and the article included in this newsletter entitled, “Combining Charitable Giving with Smart Tax Planning.”** ■

Combining Charitable Giving with Smart Tax Planning

by Philip G. Moshier, CFP®, Sagemark Consulting, a division of Lincoln Financial Advisors, a Registered Investment Advisor.

Are you hanging on to some low-basis, highly appreciated assets that you would gladly sell if you could somehow avoid losing much of the value to taxes? One solution might be an estate planning arrangement known as a Charitable Remainder Trust. This type of trust may provide you with income tax deductions and other tax breaks, while enabling you to convert an appreciated asset (such as stocks or bonds, real estate or a work of art) into an income stream for life.

With a Charitable Remainder Trust (CRT), you transfer assets into the trust and may take a charitable income tax deduction, subject to certain limitations. Since the asset will not pass to your favorite charity like the Academy of Medicine Education Foundation (AMEF) for several years, the deduction will be less than the assets' current value. The trust, in turn, may sell the assets and invest the proceeds into high income-producing investments. The trustee pays the donor a certain amount each year for a stated period, usually for the donor's lifetime, and then turns over the principal (also known as the "remainder" interest) to the charity named by the donor in the trust agreement. The charity could be your alma mater, a museum, church or any other qualified charitable institution like the AMEF.

When the CRT sells the asset, it pays no immediate tax on the gain, so all the proceeds can be re-invested to produce income. If you had sold the asset outright instead of giving it to the CRT, you would have paid the Internal Revenue Service capital gains taxes on your profit, in addition to any capital gains tax imposed by Ohio. In setting up a CRT, you may name yourself as trustee, which enables you to manage the investment of the funds in the trust. You might want to review this with a financial advisor, as there could be reasons why this is not prudent, given your particular financial situation. Alternately, by using a professional trustee such as a bank or the charity itself, you could help ensure that the arrangement complies with the complex legal rules, which must be followed to retain the tax benefits.

Suppose a 65-year-old doctor owns \$100,000 worth of ABC Company stock that he or she bought some years before for \$20,000. He or she wants to sell the low-yielding shares and invest the proceeds in U.S. Treasury bonds. But by simply selling the stock, he or she would pay capital gains tax of \$12,000 on the \$80,000 profit. So the doctor transfers

the stock into a CRT instead, and elects to receive \$7,000 annual income for the rest of his life, at which time the principal will go to his or her favorite cause — the AMEF. The trust sells the shares and buys 4 percent Treasuries, paying no current capital gains tax on the \$80,000 gain. The yearly income stream the trust pays out will generally be considered distributions of ordinary income, on which the doctor will pay tax.

He or she also has available an income tax deduction in the year the transfer is made. Since the stock will not pass to the charity for several years, however, the deduction will be less than the stock's current market value. The available deduction will be equal to the present value of the remainder interest given to the AMEF at his or her death.

Calculation of the deduction is based on four main factors: the fair market value of the asset; the life expectancy of the income beneficiary (the person receiving the yearly payout); the discount rate; and the payout rate chosen by the income beneficiary. In this example, using a 4.2 percent discount rate, the doctor's available deduction would be approximately \$35,000, subject to certain limitations.

Whether you choose to make a gift of an asset directly to a charity or through a CRT, the value of the asset, together with any future appreciation, will effectively be removed from your taxable estate that may reduce your estate tax liability at your death. With a CRT, you can shrink your taxable estate by the amount ultimately retained by the AMEF. Of course, since the AMEF is the ultimate beneficiary of the trust assets, you will want to make sure you have otherwise adequately provided for your family.

One way to replace assets donated to charities is by purchasing life insurance for the benefit of your heirs. Funds to purchase the insurance policy may be available through increased income resulting from the tax deduction for the donated asset and the cash flow produced by the investment of the trust proceeds. By holding the insurance policy in an irrevocable trust and making it the owner of the policy, the death benefit may be kept out of your estate, thereby reducing your ultimate estate tax bill. Of course, insurance applications are subject to underwriting approval.

There are two kinds of Charitable Remainder Trusts to choose from; both are irrevocable meaning they can't be cancelled once the

trust document is executed. The "Annuity Trust" throws off a steady income flow at a fixed amount each year — \$5,000 or some higher amount annually, for instance. These types of CRTs tend to be more popular with people in their seventies or older who want the security of a guaranteed pay out in their old age and who don't want to take the risk that a market dip could erode the trust principle a few years down the road.

Unlike the Annuity Trust, the Charitable Remainder "Unitrust" pays out a fixed percentage of the net fair market value of the trust assets as it may vary from year to year. Unitrusts pay a variable return, but annual distributions fluctuate with the fortunes of the invested funds. While Annuity Trusts are appraised just once, Unitrusts must be revalued each year, which can drive up administrative expenses, especially with hard-to-value assets such as closely held business interests, real estate or artwork. Unitrusts also permit additional contributions of property under certain conditions, which can increase your income. Younger investors tend to prefer a Unitrust to an Annuity Trust because its flexibility can help provide a hedge against inflation over the long-term.

The Internal Revenue Code limits the yearly Annuity and Unitrust payments from a CRT and mandates a minimum percentage value for the charity's remainder interest. Regardless of which type of CRT is used, the annual amounts received by the donor are generally subject to income tax, either as ordinary income or as capital gain.

Donating art, antiques, collectibles or other tangible personal property is subject to a special rule, which affects the size of your up-front income tax charitable deduction. Donating such property which you have owned for more than one year usually generates a charitable deduction equal to the object's fair market value at the time of the gift, so long as the charitable institution uses the object in a manner related to its charitable purpose.

Thus, donating a Picasso to an art museum that plans to display it in its gallery would clearly meet the "related use" rule. But giving the painting to the AMEF that, in turn, sells it and uses the proceeds to support various causes would not be a related use. If the AMEF does not intend to use the art work to further its charitable mission, your income tax deduction is limited to your basis (generally, what you

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As the cost of medical education continually increases, financial assistance for medical students is more important than ever. And as you may know, a physician shortage is predicted in the next decade with studies showing there may not be enough qualified physicians to meet the medical needs of an aging population in coming years. AMEF needs funds to provide scholarships to medical students to assure that our medical schools continue training physicians to meet the needs of patients in the future. Your contribution to AMEF will help us with this laudable goal. In addition, your funds will be used to assist with other worthwhile foundation activities. Contributors will be acknowledged on the AMC/NOMA Web site, in future newsletters and when the medical scholarships are awarded at our annual meeting. Included with this newsletter is a give envelope for AMEF. A separate mailing has also been sent out to all past scholarship recipients and all AMC/NOMA members requesting donations/contributions to the AMEF. Please include AMEF in your charitable giving plans.

Meet the AMEF Board of Trustees

The AMEF Board of Trustees is comprised of dedicated individuals possessing the vision to recognize the value of a charitable component to the AMC/NOMA. The Foundation Board of Trustees is responsible for making decisions, developing policy and providing specific direction to the Foundation.

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Secretary-Treasurer**

Combining Charitable Giving with Smart Tax Planning (continued)

originally paid for the object) not its current, appreciated value.

Your deduction may be similarly limited if collecting art is your business, because the artwork would be considered part of your inventory. The amount of deductions you are allowed in any one year are further limited by your adjusted gross income and the type of charitable organization to which you are contributing. Generally, gifts to public charities generate larger tax deductions than gifts to private charities.

It may be easier to meet the "related use" rule by giving an artwork directly to a charity, instead of through a trust, thereby increasing the amount of your deduction. Using a CRT as a receptacle for a sculpture, for instance, will probably limit the

deduction to your basis. If the CRT converts the sculpture into an income-producing asset, the "related use" test will not likely be met. Nevertheless, the CRT may still be a viable method of transferring appreciated works of art with a low cost basis from a collection in order to avoid immediate capital gains, create a revenue flow, and reduce the size of the donor's taxable estate.

Properly drafted, a Charitable Remainder Trust may be successfully used to achieve numerous tax and financial planning objectives. Consult a professional adviser to determine whether charitable giving should be a part of your financial planning strategy. For information on AMEF see page 1. ■