The William Spoelhof Society

CALVIN

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Dear Friends:

As you read this newsletter, athletes around the world are training for the 2004 Olympic Games in Athens. We hope the information included here will help you prepare for your own year-end Olympics. To begin, I would like to introduce you to a new member of our team. We are happy to welcome James Koeman as the new associate director of planned giving. James, a 1991 Calvin graduate, comes to us after eight-and-a-half years in Calvin's Office of Scholarships and Financial Aid.

This edition of *The William Spoelhof Society* newsletter provides an overview of the most recent tax-law changes. While the major tax-cut legislation passed this year can seem bewildering, an awareness of the rule changes, combined with well-planned charitable gifts, can help you to create a winning tax-wise strategy. This issue of the newsletter explains the rule changes as well as the methods that will enable you to fulfill your dreams for your family and future and your hopes for Calvin College.

To assist in your planning, we would like you to have a free copy of our new booklet, ***Givers Guide to Federal Taxes '03.*** To request your copy, simply return the enclosed card or call our office at (800) 968-4363.

Years of dedicated practice are required for an athlete to hone the skills necessary to reach the Olympics. In a similar way, Calvin is dedicated and deliberate about educating young men and women to be faithful servants in God's kingdom. Through your generosity and charitable gifts, this important task will continue for generations to come.

Sincerely,

Sally Vander Ploeg

SAVE THE DATE!

The Heritage Class Reunion (Class of 1953 or earlier) will be held on Friday, June 25, 2004, at the Prince Conference Center.

Year-End Olympics

New Rules Help Taxpayers Bring Home the Gold

It happens every year as the days grow shorter. American taxpayers ready themselves for the annual dash for the December 31 finish line known as year-end tax planning.

Just like serious athletes, taxpayers need to equip themselves with a thorough knowledge of the rules of the game. This year–thanks to major tax-cut legislation passed late in the spring–there are a number of rule changes, and you will want to acquaint yourself with how the most important provisions of the 2003 tax act affect you. What's more, nearly all of the tried-and-true strategies you have used at year-end in the past can be used this year to reduce income and bolster deductions.

Accelerating the Pace

2003 Tax Act Speeds Up Rate Cuts

The 2003 tax act did inject some completely new concepts into the tax code, but much of its impact comes from accelerating cuts previously due to take effect over the next three years. At the top end, the maximum income-tax rate drops from 38.6% to 35%. The next three rates–35%, 30%, and 27%–drop 2% each to 33%, 28%, and 25%. The two bottom rates of 15% and 10% do not change under the 2003 tax act, but the 10% bracket has been expanded so that more income will be taxed at the lowest level.

This chart illustrates the new tax brackets:

Rate	Single	Married Filing Jointly
10%	0 - $7,000	0 - $14,000
15%	$7,000 - $28,400	$14,000 - $56,800
25%	$28,400 - $68,800	$56,800 - $114,650
28%	$68,800 - $143,500	$114,650 - $174,700
33%	$143,500 - $311,950	$174,700 - $311,950
35%	$311,950 +	$311,950 +

Note:
The 10% bracket is scheduled to revert to its previous upper limits ($6,000 for singles and $12,000 for couples) in 2005.

The new law accelerates previously enacted provisions to reduce the "marriage penalty" built into the tax code. Now, the top end of the 15% bracket for couples is equal to twice the upper limit of that bracket for singles–which means that more than $9,000 will be taxed at 15% rather than at 25%. Couples who don't itemize also get a standard deduction equal to twice that of singles.

Gaining Ground Through Tax Cuts

Taxes Slashed on Dividends, Capital Gain

One new provision that has gained significant notoriety is a dramatic reduction in the tax on dividends. Before this year, dividends had been subject to tax as ordinary income at the recipient's highest marginal rate–as much as 38.6% in 2002. Now the top rate on qualifying dividends is just 15%, and persons in the two lowest regular income-tax brackets pay just 5%–zero in 2008. This can mean substantial savings.

Long-term capital-gain tax rates have also been cut from 20% to 15%. For those in the 15% or 10% income-tax brackets, the capital-gain tax rate has been reduced to 5% in 2003 and 0% in 2008. These rates are effective for sales or exchanges on or after May 6, 2003. Because of the mid-year effective date, there are transitional rules for 2003. *The new rates on dividends and capital gain are set to expire after 2008.*

Running the Marathon

Planning for the Long Haul

Good year-end planning is not focused just on the current year. It should be designed to position you for best results in the future as well. Give careful consideration to moves that will help you reach your long-term objectives while cutting your current tax bill. With interest rates at modern historic lows, many people are looking for an attractive and tax-advantaged source of reliable income. If you have significant charitable goals, there are many charitable strategies that can work well for you.

The charitable gift annuity provides for you and Calvin.

A Stride Ahead. Many of our friends have found that the charitable gift annuity is a wonderful way to meet their cash-flow needs while providing meaningful benefits to Calvin.

Charitable example: *Jim and Nancy W, both 72, have a $100,000 CD coming due soon, and they are still coping with the "sticker shock" of the 3% rate offered if they reinvest. They would like to do something substantial for Calvin, but they do need to continue to receive annual income.*

They decide to transfer the proceeds of their CD to us in exchange for a charitable gift annuity that will pay them 6% as long as either of them lives–significantly more than they can get with a CD. Better yet, of the $6,000 they receive each year, $3,732 will be tax-free over their life expectancy.

The gift also generates a current income-tax deduction in the amount of $29,784. In their 28% tax bracket, this saves them $8,340. Their gift annuity not only helps to reduce their current tax liability, but it also creates a source of increased cash flow in the future.

New Heritage Chapter Formed

Building on the success of the annual Heritage Alumni Reunion each June, a cadre of alumni have been meeting to discuss ways for "senior" Calvin alums to enhance their interaction with the college. This leadership group, chaired by the Rev. William Buursma '49 BD'52, has officially formed a "Heritage Alumni Chapter" that will continue planning events and working on strategic projects. The first "Heritage Chapter" event was held last spring, with distinguished alumnus Robert Swierenga speaking on Chicago's Dutch Garbios. More recently, Chaplain Dale Cooper spoke about his John Deere tractor ride across the Midwest. Other gatherings are in the works. Heritage events are also being planned for Naples, Fla., and Phoenix, Ariz. In addition, the group is working on a variety of projects, such as tracking down more profiles of "senior" alumni to appear in *Spark* magazine. Interested in getting involved? Call the Calvin alumni office at (616) 526-6142.

Pace Your Contributions. One of the most popular "charitable retirement plans" involves the use of a special kind of trust that lets you make current contributions and receive current income-tax deductions–yet defer most or all of the income distributions until retirement.

Charitable example: *Don J, aged 50, is a successful professional and a good friend of Calvin. He wants to help increase his retirement security and find a way to make a major contribution to our work, but he has made all the tax-deductible contributions he can make to traditional retirement plans. He decides to contribute $20,000 each year to a charitable trust, until he retires in 15 years.*

The trust grows by 8% annually until it starts distributing 5% of its value to Don each year when he reaches the age of 65. Don's first distribution from the trust will be $27,150. Provided the trust continues to realize an 8% annual return, the distributions to Don will grow to more than $46,000 during his life expectancy. In addition, he will be eligible for deductions of approximately $108,800, and the trust will distribute more than $950,000 to Calvin at his death.

Pain-Free Portfolio Diversification

Wall Street gurus generally agree that the key to successful investing is diversification to maintain a properly balanced asset allocation in a portfolio. Such adjustments are not without cost. Each disposition of a profitable position means a potential capital-gain tax. The pain can be especially acute when an investor has a substantial or concentrated position in a particular investment.

A painless solution to such a predicament can be obtained by transferring the appreciated asset to a qualified charitable remainder trust and then having the trust sell the asset. **Result:** No capital-gain tax to the donor upon the initial transfer to the trust and to the trust because it is tax-exempt. And the trustee can use the undiminished proceeds to produce the desired diversification.

Clearing the Hurdles

Opportunities to Save Before Year-End

Here are moves you might consider to minimize income or maximize deductions.

Stock Strategies: Give Winners, Sell Losers. You are able to claim a deduction for the full fair-market value of stock, but you do not have to recognize or pay tax on any of your paper gain when you make a gift.

Charitable example: *Hal P is a strong supporter of Calvin and makes a generous gift each year. Ten years ago Hal bought 1,000 shares of XYZ, Inc., stock for $10,000 and watched it soar to $100,000. Now it has fallen back to $50,000, and he would like to close out his position. He is reluctant to sell, however, and realize a $40,000 taxable gain.*

Hal decides to use his stock to make his gift to Calvin this year. The gift entitles him to a $50,000 deduction that, in his 35% bracket, saves him $17,500. If Hal had chosen simply to sell the stock and make his gift with cash, he would have incurred a $6,000 tax on the $40,000 capital gain he would have realized.

"Bunch" Deductions into This Year. Consider doubling your annual charitable contributions and making gifts every other year. This may enable you to itemize in the years you make the gifts but not affect the standard deduction you can take in the years you don't give.

Maximize Retirement Savings. Use all tax-advantaged retirement-savings opportunities at your disposal.

Plan Like a Champion

Making the right moves now–coupled with the added boost of lower taxes–can give you a financial jump start for 2004 and beyond. To assist you in your planning, we would like you to have our ***Givers Guide to Federal Taxes '03.*** Simply return the enclosed card to request your copy.