Mid•Point

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Julianne Williams Perry '55: A Life Launched at Midway

Midway College was there for Julianne Williams Perry when she needed it most. After her mother's death, Julianne was sent from Prestonsburg to Midway College in 1948 for an education, guidance and a chance. Years later, Julianne sits on Midway's Board of Trustees and joins her husband, Chad, as a community leader who has, among other things, helped to establish the Pikeville College School of Osteopathic Medicine. Her rewarding life is the culmination of many factors, but it all traces back to Midway.

Julianne and Chad Perry

"Someone told us about Midway Junior College and Pinkerton High School. We investigated and felt like it was a good place for me," Julianne recalled. Her father wanted the best for his children after Julianne's mother became sick and offered to pay tuition for Julianne to attend Midway. As tuition expenses grew and became difficult to pay, it was Mrs. Riley in Midway's business office who arranged for a scholarship to support Julianne's education.

Along with an education and financial assistance, Midway provided many experiences usually associated with home and family, including silver spoons, lights out by 10 p.m. and chores. Of course Julianne's silver spoons were not inherited at birth; she earned her silver spoons in Ms. Dixie Edwards' class. Julianne recalls that this was a reward for being "outstanding in [her Home Economics] class." Julianne appreciated the caring environment that was exemplified by Dixie Edwards and Katie Carpenter, two individuals who left a lasting impression on her. "I think it was the devotion from the house mothers and the teachers. They were very caring and willing to teach," she remembered.

Not only did Midway prepare Julianne for the real world, it inadvertently positioned her to meet her husband of 48 years, Chad Perry. When Julianne was ready to enter the work force, Midway helped. One of Midway's trustees, Maude Stiltz, connected Julianne with her son, Robert Stilts, who was president of Bank of Commerce in Lexington. Mr. Stilts hired Julianne and two other classmates. It was while working at the bank that Julianne met Mr. Perry, who is a Paintsville attorney. "The rest is history," Julianne says.

Together Julianne and Chad have shared a rewarding life and have cherished the opportunity to give back. Part of their philanthropic effort is directed toward Midway College because of the many blessings that it has provided in Julianne's life. This has compelled them to consider Midway College in their estate plan and to give of Julianne's valuable time as a trustee. Just as Midway College was there for Julianne at a crucial point in her life, Midway will be there for the next generation of students because of the generosity of those like Julianne and Chad Perry.

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Up, Down and All Around

There are changes to consider as you begin tax planning for 2006. Here are a few, along with ideas for capitalizing on them:

Up

❖ The estate tax credit will shelter estates up to $2 million, compared with $1.5 million in 2005. Ask your attorney whether your estate plan takes full advantage of the increased exemption. Be careful not to overfund a family trust, and possibly shortchange your spouse.

❖ The catch-up contribution to IRAs for taxpayers age 50 and older increases from $500 to $1,000. Make sure you contribute the maximum amount possible as early in the year as you can – up to $4,500 in 2006. Your funds will have longer to grow tax-sheltered.

❖ The maximum contribution to a 401(k) plan increases by $1,000 in 2006, to $15,000. The catch-up contribution also goes up $1,000, to $5,000, meaning eligible taxpayers can contribute $20,000 in 2006.

Down

❖ The exemption for the alternative minimum tax drops from $58,000 for married couples and $40,250 for single taxpayers to $45,000 and $33,750 respectively. This means more people will be subject to the AMT unless Congress acts to extend the higher exemptions. Ask your tax adviser whether you're likely to be subject to the AMT in 2006 and, if so, what you can do to make the best of the situation.

❖ The top estate tax rate drops from 47% to 46% for estates in excess of $2 million. A bequest to Midway College in your estate plan could help reduce or even eliminate the tax. We can also show you ways to reserve income for loved ones from your gifts.

❖ The cutbacks on itemized deductions and personal exemptions for high-income taxpayers will be reduced. For 2006, the cutback on certain itemized deductions is 3% of the amount by which adjusted gross income exceeds $150,500, up to a maximum of 80% of the affected deductions. Taxpayers lose 2% of their personal exemptions for every $2,500 over the threshold AGI of $150,500 (single taxpayers) or $225,750 (married couples). Both reductions are cut back by one-third beginning in 2006, meaning you may get more benefit from your itemized deductions and personal exemptions.

Going Nowhere

❖ The gift tax exemption continues to shelter lifetime taxable gifts up to $1 million. This number remains the same, even though the estate tax exemption is increasing in 2006 and again in 2009 ($3.5 million). The annual gift tax exclusion, however, rises from $11,000 to $12,000 in 2006. You can give up to $12,000 annually to as many people as you wish ($24,000 for married couples). You can also pay medical and education expenses directly to the health care provider or school on behalf of another. There are also ways to make your taxable gifts go further by combining them with gifts to Midway College. Ask us for ideas.

Going, Going, Gone

❖ The above-the-line deduction for up to $4,000 of college tuition expenses for the taxpayer, spouse or dependent is eliminated after 2005.

Reasons to Plan, Estate Tax or No Estate Tax

Many estate planners are expecting Congress will permanently reduce – not eliminate – the estate tax. As the law currently stands, the tax is set to disappear in 2010, but return in 2011 with an exemption for estates up to $1 million. It's more likely Congress will enact new exemptions in the $5 million to $10 million range, along with lower rates. That doesn't mean, however, that estate planning will be any less complicated – or any less important – in the next few years. Keep in mind:

❖ Many states are passing death tax measures to replace the funds they formerly received when the federal government shared estate taxes. Consider the impact of state taxes, which may begin at a much lower level than the $2 million for the federal estate tax (beginning in 2006).

❖ If the estate tax is eliminated in 2010 as scheduled, there may be capital gains tax considerations. Estates would be entitled to a step-up in basis for only $1.5 million in appreciated assets, in addition to $3 million for assets passing to a spouse.

❖ Even estates that don't face estate tax may have income tax concerns. Retirement accounts such as 401(k)s and IRAs, and certain other assets such as U.S. savings bonds, are subject to income taxes at the death of the owner – at rates up to 35%. One way to completely avoid the tax is to leave these assets to Midway College. You can even reserve income for family members from your bequest of retirement plan funds.

❖ Your estate plan can include trusts that will pay income to family members, rather than immediately distributing the assets. This may be important where assets are passing to grandchildren or other young beneficiaries. A special trust – the charitable lead trust – allows you to have income distributed annually to Midway College for a specified period, after which the assets will be distributed outright to family members or retained in trust for their future benefit.

Create Your Own Tax Refund

The average income tax refund for 2004 was more than $2,100, according to the IRS. That's an extra $175 per month that taxpayers loaned to the IRS – interest free. Tax laws require that you pay in only 90% of the current year's tax liability through withholding and/or estimated tax payments. A safe harbor law allows you to pay in 100% of the prior year's tax liability (110% if your adjusted gross income for the prior year was more than $150,000).

There are taxpayers, however, who view tax refunds as a form of forced savings. But there are better ways to accomplish the same result. Determine the minimum you need to pay in 2006 to satisfy the withholding rules. Then adjust your withholding or estimated tax payments accordingly. Put the difference between what you were paying to the IRS and the lesser amount you're now withholding into a savings account.

In April 2007, when it's time to pay your 2006 income tax, you'll have enough saved to pay any taxes you owe. And you – not the IRS – get to pocket the earnings.

“Accelerate” a Bequest

People who support Midway College through their estate plans – wills, living trusts, life insurance and other beneficiary designations – do so out of a spirit of generosity and concern for higher education. But, rather than make a bequest to the College, you may find it advantageous and personally satisfying to create a gift annuity this year, under which you will be paid income for life, with the assets later benefiting our programs. “Accelerating” a bequest can reduce your income taxes, as well, and contributions can be planned to blend with the goals and objectives you have for your family.

Free Booklet Offer

Spouses should prepare for life without their marriage partner – to be ready not only to handle the decisions that follow a spouse’s death but also to deal with financial and practical matters.

Midway College has a new 20-page booklet on this subject, ***When the Time Comes***, that we encourage every married couple to send for – just return the enclosed card.

Midway College • 512 E. Stephens St., Midway, KY 40347-1120 • 859.846.4421 • www.midway.edu

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