

Just Cruisin' Along

By Jack Grunspan



It was an interesting and exciting year for Sam and Harriet. Finally, Sam decided to retire, and at age 72 was looking forward to his “golden years.” They had wonderful plans for their retirement—cruises, a home in Florida, visiting Israel, etc.

Following his retirement party, Sam and Harriet went out to dinner with their best friends, Joe and Selma, to start planning their future. Over dinner Joe asked Sam about joining him and Selma on a Caribbean cruise next January. Sam and Harriet always wanted to go on a cruise, but never felt comfortable with spending that kind of money for their own enjoyment. Sam mentioned that in today’s economy one would have to be really rich to do that kind of things.

Joe chuckled and looked at Sam. “You know us for over forty years—do we look like the kind of people who are really rich?” Joe told Sam to check out the Planned Gifts available at Bnai Zion to find out how he too could be “one of those really rich” people.

Sam met with the Bnai Zion people. In reviewing his portfolio it was discovered that Sam was now withdrawing a minimum annual amount from his IRA of \$35,000 (mandatory because he was over age 70½), and had a nice portfolio of appreciated stocks, which unfortunately was paying an average return of 3%.

They decided to establish a \$100,000 2-life Gift Annuity which would give Sam and Harriet a lifetime income at 6.2%. Due to the fact that part of the income will be tax free, their yield was going to be 8%.

The annuity would be funded with the \$35,000 of IRA withdrawals, and the transfer of \$65,000 of appreciated assets from his stock portfolio. By using the stock portfolio assets Sam avoided having to pay any Capital gains tax up front and had the full \$65,000 available to be used for the Gift Annuity.

Establishing the annuity gave Sam a \$23,000 tax deduction, *eliminating nearly 65% of his IRA income*, a tax saving of approximately \$5,700 (Sam was in a 25% tax bracket). In addition, their cash flow increased by almost \$150 a month giving them an extra little financial cushion.

Sam and Harriet used part of their \$5,700 tax savings to sign up for the cruise and are wondering what trip to take next with the rest of their tax savings.

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Sample Gift Annuity Rates

| Age | Rate | Principal | Annual Income |
|-----|-------|-----------|---------------|
| 75 | 7.4% | \$10,000 | \$ 740 |
| 80 | 8.4% | \$10,000 | \$ 840 |
| 85 | 9.5% | \$10,000 | \$ 950 |
| 90+ | 11.0% | \$10,000 | \$1,100 |

For More Information

Eileen Glastein

800-303-6033

eileen.glastein@bnaizion.org

Check our website
www.bnaizion.org
for the latest information
about Bnai Zion.

Jack Grunspan is Executive Vice President of B'nai Zion.

Eileen Glastein is Southeast Director of Bnai-Zion Foundation. For personal attention you can call her at (800) 303-6033, (305) 949-0076 or email

eileen.glastein@bnaizion.org.



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