The LifeSpan™ Courier:
TLC Planning™ Client Newsletter

Winter, 2012-2013

PLANS THAT WORK. PEOPLE WHO CARE™

Thank you for allowing us to serve you for another year. We are honored as we consider the trust you demonstrate in us by permitting us to care for you, your estate, and your family. As our 'motto' suggests, plans that work—*achieve all the goals you had in mind*—are our mission, but the mission can only be accomplished by people—*like you*—who care enough to invest a reasonable amount of attention and effort. We appreciate your commitment, and we mutually commit to another year of providing you and your family the appropriate assistance needed to fulfill that mission.

Two thousand twelve was in some ways the most stressful in recent memory for our Team, as we helped many clients prepare for the 'worst case scenario' which might come out of Washington. Fortunately, the worst hasn't happened—so far—but there remain many days of serious debates in Congress over taxes and spending. I am guardedly optimistic that we won't see significant changes in the tax law during the coming political wrangling over the debt ceiling. But at the same time, something has to change up there: the Congressional Budget Office scores the American Taxpayer Relief Act of 2012 as adding over $3.6 trillion in deficit spending over the next ten years. How can that be anything worth bragging about, for either side? And for how long is this sort of thing sustainable? Later in this newsletter we'll summarize for you the highlights as we see them. Curt

Looking Back at 2012

Made Simple Series™ Our totally new-and-improved Family Education Program™ called the **Made Simple Series™** finished out its third year. Many clients and family helpers attended the Disability Transitions Made Simple™ program in June or November. We think this response from a client's son sums it up:

"Always worthwhile to attend! Start of more conversations. Thanks!"

Attorney Sam Collins has now established his reputation in the National Network of Estate Planning Attorneys as one of the members most experienced in that technical and time-consuming legal maze we call 'settlement' or 'administration' of the estate plan. He knows what it takes at the time of a client's death to *secure the benefits of* the plan for the beneficiaries.

Estate tax nail biter! The federal gift and estate tax exemption of $5.12M was set to expire…and did expire…on January 1, 2013. Many clients decided that they had had enough waiting around for Washington, and decided to 'lock in' the available gift and estate tax exemption by pursuing 'advanced tax planning.' *(more inside…)*

Renewing Commitments: TO DO LIST

Your renewal packet was mailed about two weeks ago, with your Asset Review Report, yellow renewal form, and 2013 invoice enclosed. To assure uninterrupted service from your LifeSpan™ Team be sure to:

1. Select the best date and location for you to attend an **Annual Family Reunion™** (AFR), mark the yellow renewal form we provided, and **return it immediately with your annual membership fee** (also note the date on your own calendar and keep it clear of conflicts). Please pay by the due date of January 18, 2013 (*if you pay after January 31 go ahead and add the $25 late fee*).
2. Start working on updating the **Asset Review Report™** (ARR) and return it to us by January 31, 2013. Add new assets; delete any you no longer have; update the dollar values; and send appropriate **Red Check Review™** (verification) paperwork for new assets you add to the report (see **ugly-green instructions** stapled to the ARR).

Remember: the **Annual Family Reunion™** is the focal point of our standard updating process. If you miss that, you lose much of the value we provide. Make it a priority on *your* calendar!

"[H]ow do we know at what point the character of a people weakens? When they give over to government those duties which they should be pleased to perform themselves. When they are told they will be fed and sheltered even when they won't work, when they are promised security from the cradle to the grave, when they are told the state will take over the supervision of their children and say what schooling they should receive and where. When they are told all these things and supinely accept them." --author Janet Miriam Taylor Caldwell

New Medicare Taxes For 2013 Under 'Obamacare'

Love it or hate it, ObamaCare seems like it's here to stay. As we approach the two year anniversary of its passage, we are now beginning to see what's in the massive healthcare overhaul (oops…I forgot, it's a *tax*). Some of the changes this tax imposes went into effect January 1, 2013. Among these are two Medicare tax increases. Many of our clients farm or own farm land, so we note the impact particularly on them. But the principles apply to all clients.

The first is a .9% increase on *earned* farming income (self employment income, farm wages, and non-farm wages). The second is a 3.8% tax on *passive* farm income. These tax increases will only apply in years when the combined farming and non-farming income exceed $200,000 for individuals, or $250,000 for those filing jointly.

Let's take a quick example involving earned farming income. Joe and Mary Farmer are making $300,000 from their farming operation. The Farmer's are already paying a 2.9% Medicare self employment tax. Since the Farmers exceed the threshold by $50,000, this amount will also be subject to an additional Medicare tax of .9%, or an additional $450.

The much more onerous 3.8% tax on unearned or "passive" farm income marks the first time a Medicare tax will apply to passive income. A passive participant is one who is not "materially participating" in the farming business. Passive income encompasses interest, dividends, rents, royalties, and any net capital gains on the sale of assets related to the passive activity.

A quick illustration of the passive income tax: Let's say Joe Farmer is single, and inherits 900 acres which he cash rents for $250 per acre to a local farmer. This totals $225,000, and the same thresholds discussed above apply, so Joe is above the single filer's threshold by $25,000. That $25,000 of passive farming income would be taxed at 3.8%, for a total Medicare tax of $950. But this is probably not his only income. Imagine that in his day job selling insurance he made a net income of $75,000. Now his total income is $300,000, and $100,000 of that is subject to the 3.8% tax: $3,800. If he makes $250,000 selling insurance, of his total $475,000 income only the passive (rent) portion is subject to the 3.8% tax, but that will cost him a cool $8,550.

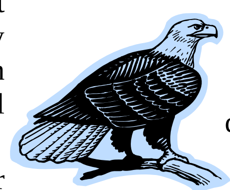
There are several tests that can be used to meet the "material participation" requirement, and thereby avoid the 3.8% (but, will subject the farmer to the additional .9% Medicare tax on earned farming income) tax on farm income but generally if the farmer is participating on a regular or continual basis during crop year, material participation is met.

Sam

> "An unlimited power to tax involves, necessarily, a power to destroy; because there is a limit beyond which no institution and no property can bear taxation."
>
> John Marshall

Truth Stranger Than Fiction?

What is the fair market value of an object that cannot be sold? Lawyers for the heirs of the New York art dealer Ileana Sonnabend and the Internal Revenue Service debated this question when they met in Washington last year.

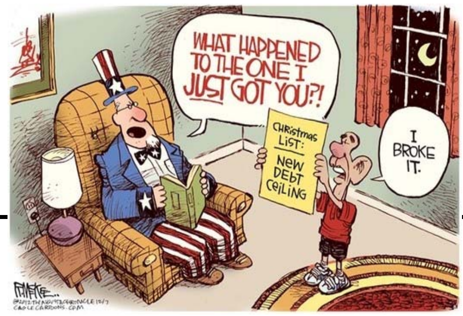


The object under discussion was "Canyon," a masterwork of 20th-century art created by Robert Rauschenberg that Mrs. Sonnabend's children inherited when she died in 2007. Because the work, a sculptural combine, includes a stuffed bald eagle, a bird under federal protection, the *heirs would be committing a felony if they ever tried to sell it*. So their appraisers have valued the work at zero.

But [surprise!] the Internal Revenue Service takes a different view. It has appraised "Canyon" at $65 million and is demanding that the owners pay $29.2 million in taxes. As of last July, the family was challenging the judgment in tax court and its lawyers were negotiating with the I.R.S. in the hope of finding a resolution.

The resolution might never become public. So don't hold your breath…we can promise no word on the tax on the bird.

> ***I BELIEVE THAT PEOPLE DON'T CARE HOW MUCH YOU KNOW UNTIL THEY KNOW HOW MUCH YOU CARE."***
>
> Richard H. Ferguson
>
> 1936-2008



Education Update

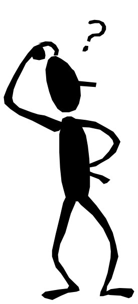
Hello Everyone!! I hope each of you had a Merry Christmas and Happy New Year! 2013 looks to be a year full of excitement around my house, we are busy planning my daughter's June wedding. ☺

This year as always, it was so good to see many of you at our various programs. I always enjoy the opportunity to catch up and visit a bit. Unfortunately, a concern/complaint I heard a few times from our LifeSpan™ clients is that we have too many meetings, and they are too busy to attend.

My dad has a saying I have heard numerous times during my life, *"People find time to do what they want to do, and make excuses for the rest."* We are all very busy these days, but if we really value something, we make it a priority. I am not saying anyone is making excuses to not attend our meetings, ☺ but Dad's words of wisdom occasionally help me set my own priorities and calendar.

If you are a LifeSpan™ client, you made a commitment to stay educated as well as to keep your plan maintained and updated. The programs we offer in group format are your opportunity to do just that. Actually, we only ask our clients to attend an AFR every year, and a CUP every other year, depending on whether you are an odd or even year client. (A handy tool in your **Client Organizer™** located in **Tab 2**, Item 3, **Keeping Current, The Essentials** gives a quick overview.) And of course, please call me if you ever have any questions or need an explanation about any of our programs.

The **Made Simple Series™** offered in our **Family Education Program™** (Receiving Your Inheritance, Your Spouse's Estate, and Disability Transitions) have proven to be beneficial and informative for clients and helpers who attended. Even if it is not something that pertains specifically to you now, it will help everyone be better prepared—instead of scratching their head and all stressed out!—when the time comes.



Of course, it is great to have the access and convenience of the Made Simple Series™ on our website for those clients and helpers who cannot travel or are just too far away to attend. We are getting a lot of great feedback from those watching on line, although attending in person is definitely better. Remember, if someone watches the program on line, they should print out and complete the "quiz" that goes with it, then sign and send it to us so we know they have "attended" the program.

Because I serve as Education Coordinator and assist Sam during our client's settlement process, I see firsthand how well things work for those that have attended our programs. This includes not only for clients, but also their helpers. Losing a loved one is extremely difficult, and we continually strive to make this transition as smooth as possible.

I do want to remind all of you how important it is to make a reservation for ANY of our programs you and/or your helpers plan to attend. We do our best to accommodate as many as possible, but due to limited seating at our events, and preparation of personalized materials, it is imperative to have a reservation. Just as importantly, if you ever need to cancel a reservation, please give me a call. By doing so, those on a waiting list can attend.

In closing, I hope you all have a healthy and happy new year, and I look forward to seeing you all at the various programs throughout 2013!

Gayla

Renewing Your Commitment To "Plans That Work"

The holidays are upon us again, and as the year ends it seems a good time for reflection. As my second year as an attorney at The Estate Planning Center draws to a close, I've helped successor trustees in dozens of estate settlements of varying sizes and complexity. The majority of these have been for our Lifespan™ clients, but some of them were not. As I work with families who aren't part of our maintenance program, time and time again it proves true: *Most Estate Plans Don't Work.*

My personal opinion is that the legal industry at large knows this and accepts it. Attorneys at gatherings sometimes smile and shake their heads at clients' failure to fully fund their living trusts—and yet, almost none of these attorneys offer maintenance programs or a structured way to assist clients with funding. They recognize the "problem" but do nothing to fix it. So most expect when they "sell" you a trust, that in all likelihood your assets are not going to be aligned with the plan they did for you when it comes time for the plan to work.

Are other practitioners being deceitful? I leave that up to you, but my guess is probably not. It's just accepted practice out there to sell the plan, disengage from the client before funding of the plan is completed, and settle the estate years down the road with no controlled costs at settlement, no expectation or training for what the successor trustees will be going through, and no benchmarks for what a good settlement looks like. On top of this, in most of these situations there are fewer advantages built into the estate plan (school bus trusts, GST planning, Heritage protections, etc.) but the settlement fees are higher. In other words: the family gets less value but pays more for it!

It's all well and good for me to sit here and write about estate plans not working, but what does that really mean? Let me give you a real-world, recent example that highlights the differences in our approach. Recently I met with a family trying to clean up a mess (non-LifeSpan™ clients; we didn't do the planning) whose last remaining parent had died shortly after the beginning of the year. The "mess" consisted of the usual suspects: unfunded assets, lack of clear direction by the trustmaker which caused tension among the kids, and missed planning opportunities. The estate was somewhere around $2.7 million. The attorney who drafted the trust did not even include foundational estate tax planning to use first deceased spouses' exemption. The end result was that the entire $2.7 million was in the second parent's estate. In 2011 there was a $2 million Illinois estate tax exemption. In 2012, it went to 3.5 million. Had this individual died *one month earlier* the Illinois estate tax bill would have been around $140,000. Had even the most basic estate tax planning been inserted, it would have been $0 whether the person died in 2011 or 2012. *It was very much as if this family did no estate planning at all.*

Inexcusable? Perhaps. But as an industry-wide problem, it is what passes out there for estate planning far more often than it should. Did the attorney aim to put the family in harm's way? Probably not, but on some level I'd have to guess the plan was designed to give the family a sense of security, and to the extent it did that feeling of security was most certainly false! The family had no idea how big a bullet was aimed at their inheritance. (Of course, I let them know at our meeting).

You can be proud of the investment and commitments you've made to preserve and pass on your legacy to future generations. Take time to internally "recommit" to those base principles of the maintenance program and be diligent in examining your asset reports and dealing with unfunded assets. Stay motivated to attend the Annual Family Reunion™, biennial Client Update Program™, and get your family to attend helper training—in person when available, or on the web anytime. Be thankful for everything you have, including the justified peace of mind that your estate plan will work.

Sam

> *Anyone see the irony?*
> "People who are hungry and out of a job are the stuff of which dictatorships are made."
> Franklin Delano Roosevelt,
> January 11, 1944, Annual Message to Congress

Ruling From The Grave!

We've reported odd things before about the estate of billionaire Leona Helmsley. Remember her pooch, named 'Trouble'? Now we've learned that she also tried to force her grandkids to honor her son, their father. I wonder how that will work out?

It seems that Helmsleys' will established three charitable remainder trusts, one for her brother and one for each of her two grandchildren. The grandchildren's charitable remainder trusts (CRTs) provide that they each receive annual payments for life—but *only if they visited the grave of their father at least once a year* for the rest of their lives. At the end of the grandkids' lives, anything left in the CRT will pass to charities.

The requirement was framed as a "qualified contingency" under the Internal Revenue Code, which permits CRTs to terminate early upon the happening of specified contingencies. Here, if a grandchild ever fails to make an annual cemetery visit, that grandkid's CRT will come to an end, with all assets passing immediately to charity.

Although Helmsley probably had good intentions, I suggest that this will be—not only to us and the rest of the world but also to the two grandkids—little more than a big joke. They'll make the annual trek to collect their yearly check.

Curt

You *might* be interested in Curt's occasional political commentary. If you read blogs, check out his at www.liberty-morality-faith.blogspot.com/

lifespan
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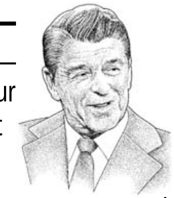
""[G]overnment does not tax to get the money it needs; government always needs the money it gets. Now, your son can be extravagant with his allowance and you can lecture him day after day about saving money and not being extravagant, or you can solve the problem by cutting his allowance." - Ronald Reagan



Funding is Fundamental!

It's that time again when we send out your **Asset Review Reports** (ARR) for you to update! Please review your reports carefully. Your reports were updated as of December 1, 2012.

Remember if you have any unchecked assets on your report and if you have new assets to list on the report I need proof of how they are titled or the beneficiaries for those assets. In Tab 4 of your black Client Organizer you will find a list of **Red Check Review Requirements** for each type of asset.

At the 2013 Spring AFRs we will be announcing the winners of our contest between our Even and Odd year clients. The team that had the most Fully Funded Asset Reports for us to send out in December will be the Winner! (I can tell you are *sooooo* excited…)

Also, when you acquire a new asset, insurance policy, annuity, etc. and the company sends you forms to fill out, please mail them to me and I will fill them out for you.

Last year we discovered again how many problems can occur when clients fail to disclose all of their assets. In one particular case, the client passed away and we learned for the first time that a relative of hers had added our client's name as joint owner on an investment account, and had listed our client as the owner of a life insurance policy. These two assets have proven very troublesome in trying to settle the estate. If you think letting family members put <u>your</u> name on <u>their</u> assets is a good idea, think again! Be sure to talk to Sam or Curt about the implications, and (if your name is listed as an owner of such an asset) be sure to disclose the asset to us and let us help you properly title it.

Don't be too shy to ask me any questions. I'm here to be of service to you!

Sherry French (a.k.a. the Nag! Defined as: reminder, urge constantly, or an older overworked horse)☺

The Manager's Musings

It's been such a joy this year to welcome you new clients to our LifeSpan™ Family. I'm so excited each time we add a new client to our LifeSpan™ Family. We feel like you are a part of us as we work day-to-day to serve you and your family to assure that you are comfortable with the planning you are doing and to assure that your plan is set up and maintained correctly.

As you grow with us, sometime ***accidents occur*** with your Estate Planning Portfolio. Has your *red* Estate Planning Portfolio had an accident like this poor *red* car? If so, <u>**please call me**</u> to help you get your documents back in order. I've run across a few red books lately that have had accidents and the documents are all out of order, scrambled and mixed with other documents. I'd hate for something to happen to you and your Helpers need a document out of your portfolio (i.e., Power of Attorney, Affidavit of Trust) and your documents be in shambles thus making it impossible for your Helper to find what they need. Our goal is to keep them organized so that our Team, over the phone, can guide your family to the documents they need.

During the hustle and bustle of everyday life, be sure to remember your estate plan and the keys to making it WORK: keeping it up-to-date, keeping it fully funded, and preparing your helpers. We're just a phone call or email away, so be sure to get the full benefit of the services you have paid for!

Sarah

"In Our age I think it would be fair to say that the ease with which a scientific theory assumes the dignity and rigidity of fact varies inversely with the individual's scientific education. In discussion with wholly uneducated audiences I have sometimes found matter which real scientists would regard as highly speculative more firmly believed than many things within our real knowledge; the popular *imago* of the Cave Man ranked as hard fact, and the life of Caesar or Napoleon as doubtful rumour."
C. S. Lewis, *The Discarded Image*

The Same Old Thing

Insights on the Sandy Hook tragedy and
Christmas reprinted from www.rzim.org

Milton! thou shouldest be living at this hour:
England hath need of thee: she is a fen
Of stagnant waters: altar, sword, and pen,
Fireside, the heroic wealth of hall and bower,
Have forfeited their ancient English dower
Of inward happiness. We are selfish men;
Oh! raise us up, return to us again:
And give us manners, virtue, freedom, power.
Thy soul was like a Star, and dwelt apart;
Thou hadst a voice whose sound was like the sea:
Pure as the naked heavens, majestic free,
So didst thou travel on life's common way,
In cheerful godliness; and yet thy heart
The lowliest duties on herself did lay.

This was the cry of William Wordsworth early in the nineteenth century as he saw the demise of English culture underway. The Church, the state, the home, the writers and shapers of society were called to task, for the nation had lost its soul and was hurtling headlong towards moral defacement. "Milton!" he cried, "England hath need of thee." I wonder today who we would cry for to be alive again, to lead us through the wilderness.

But where do we look and to whom shall we go? In American politics the name of Lincoln looms large as a symbol of honor and courage. In racial strife the voice of Martin Luther King, Jr. still echoes in our streets, pleading for the end of hate. Do we cry out, "Lincoln, we have need of thee!"? "King, we have need of thee!"? Yet, as I thought of them and of what they stood for, I was struck by the realization that both of them were silenced by assassins. The crimson tide of violence, the best voices notwithstanding, has never been stemmed since Cain drew the blood of his brother Abel.

The thundering question emblazoned in newspaper and on many of our minds—"WHY?"—looms rightfully large again. And yet, as one who stands before audiences all over the world facing hard questions I am sometimes tempted to ask a question of the questioner, "Do you really want a solution or is the constant refrain 'why' a way of escaping the responsibility of the answer?" The Bible tells us, "He has showed you, O man, what is good. And what does the Lord require of you? To act justly and to love mercy and to walk humbly with your God" (Micah 6:8). Jesus wept over his own beloved city and said, "If only you knew the things that belonged to your peace, but now they are hid from your eyes" (Luke 19:42). Their problem was not the absence of answers, rather, the suppression of them. Our predicament, I believe, is the same. There are some clues we already have—enough to bring correctives within our reach. But do we really want the truth?

"Do you really want a solution or is the constant refrain 'why' a way of escaping the responsibility of the answer?" Ravi Zacharias

There are issues in our society that we must have the courage to address, though they are not popular and never will be, for they stare at us in the face. Our societal indicators are important because they are pointers to the malady. At the root of our cultural rot is a wanton failure to admit our contradictions, and contradiction is to reason what evil is to life. When our reasoning is contradictory, the argument breaks down. When evil invades a life, life breaks down. When hope dies in a life, life is embodied loneliness awaiting escape. We have given our children contradictory assumptions about life and are then shocked at their evil behavior and the disintegration of their lives. This cultural breakdown did not happen overnight. When moralizing reaches the front page in a society that denounces moral moorings, the aberration occurs not when one lives in keeping with that theory but when one smuggles in values while denying that values exist. In a soul-less culture the real question is not why violence, but why do we weep at it?

In his cynical way, Malcolm Muggeridge reminded us that all new news is old news happening to new people. He was right. The parents of the first family in Eden questioned whether God had really spoken. Here autonomy squared off against the revelation of God. A value-free society was introduced. Second, the son in turn questioned whether the altar really had any worth. Secularism evicted the sacred and planted the void within. Denying the place of a moral law and thwarting the legitimacy of worship built the first cemetery at Eden. And so it is that we all agree with Muggeridge's unhappy reminder that atrocities are not new, only the victims are. We would do well, however, to remember another piece of news, which is equally old. In C. S. Lewis' The Screwtape Letters a senior devil is training a junior devil on how to destroy faith in God from the hearts of people: "Work on their horror of the same old thing. The horror of the same old thing is the greatest passion we have put into the human heart." How appropriate that warning is. We ask why, while we have an aversion or horror for the same old solution. But the story of Newtown or Littleton or Virginia Tech, in an extraordinary way, brings to light the power of the same old thing.

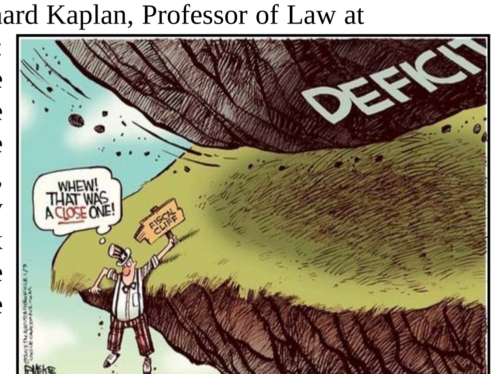
The Bible only speaks of one remedy: the transformation of the heart by making Christ the center. He is the one who takes us from paradise lost to paradise regained, calling Miltons among us who will likewise walk where the hurting walk and embrace as the hurting tremble. The world has need of him; the world has need of them. Those who mock the simplicity of the remedy only make evil more complex and unexplainable. Every heart has the potential for murder. Every heart needs a redeemer. That is the message of Christmas. The world took that child and crucified him. But by his triumph over death he brings life to our dead souls and begins the transformation within. Unto us a child is born and he shall save us from our sins.

***Ravi Zacharias** is founder and chairman of the board of*
Ravi Zacharias International Ministries

American Taxpayer Relief Act of 2012

In the wee morning hours of January 1 the 89 U.S. Senators apparently held their noses and voted *aye* to the American Taxpayer Relief Act of 2012. Late that day the House of Representatives followed suit, and President Obama's autopen signed it Wednesday while he was back on vacation catching a wave in Hawaii.

For our clients there are some provisions for which we can be grateful, and others we would rather not see. Allow me to quote Richard Kaplan, Professor of Law at University of Illinois: "Perennial issues like the alternative minimum tax now have a permanent solution, while many extremely important tax parameters like the rate structure and the treatment of capital gains have been settled…Congress can certainly revisit these tax questions in the future, but there is no longer any uncertainty or pending deadlines regarding the U.S. tax system for 2013."



Tax simplification, however, took a major step backward. "Not a single deduction or credit was eliminated," Kaplan said. "Indeed, many new ones were added for specific industries and activities, like purchasing electric vehicles and extending a tax benefit related to Puerto Rican rum. Capital gains still receive preferential treatment, and the number of tax brackets has actually increased."

One of the most poignant comments came from Rep. Louie Gohmert (R-Texas): *"I just wanted to thank so many on the other side after all these years for finally acknowledging publicly that 98 percent of the Bush tax cuts helped the middle class."* Amid all the class warfare rhetoric, I found it surprising that Obama's own temporary payroll tax cut was not extended. As a result of that, taxes will increase for 77 percent of taxpayers.

The other bad news is that the income tax on singles making more than $400,000 and families making $450,000 has gone back up to $39.6% and their capital gain tax rate jumps from 15% to 20% (plus the Medicare/ObamaCare taxes described on page 2). Incidentally, this means an unmarried couple can make $350,000 more than a married couple before having the higher tax rate imposed. Another marriage penalty.

Estate and gift tax rates went up: from 35% to 40%. That is the rate of federal tax to pay if your taxable estate exceeds the exemption amount or you make lifetime gifts in excess of your exemption amount. In the federal estate and gift tax area *this is the only change from 2011 and 2012 law*.

But let's summarize what I believe is the good news for our clients. The new law provides increased certainty and lower tax rates than if legislators had done nothing and simply let the Bush-era tax cuts expire. Specifically:

- The federal estate, generation-skipping, and gift tax exemptions were all continued forward from last year. Each had been a $5,120,000 exemption in 2012, indexed for inflation, but set to expire on January 1, 2013. For a few hours, that exemption did, in fact expire, but the new law reinstated it. The inflation adjustment should put it at $5,220,000 for 2013. (For clients who wondered whether the gift tax exemption would be as high in 2013 and made large gifts in 2012, this high exemption reduces the audit risk, in my opinion. That is a positive thing!)

- There is no expiration date on the federal estate, generation-skipping, and gift tax exemptions. So this makes it permanent. I realize, for anyone who has been awake for the last few years, we know *there is nothing permanent* about the tax code. But at least it is set until action is taken to change it. Even the Bush tax cuts had a 10 year life and expiration date. This new permanence offers a much more stable environment for planning.
- The Alternative Minimum Tax (AMT) is now indexed to inflation, making unnecessary the annual ritual of passing a "patch" to spare the middle class the extra tax.
- The ability to make a charitable gift directly from your IRA (which was not available in 2012) has now been reauthorized, with an *opportunity to apply it retroactively to 2012!* (Read more about this **Limited Time Offer! →**)

What about other tax law changes that go into effect or are adjusted for 2013?

- The state of Illinois estate tax exemption has now bumped up to $4,000,000. This means that is the new "coupon amount" for estate tax planning to be necessary. However, the Illinois legislature may be even less predictable than the Feds. This exemption might change before you read this newsletter…
- The Annual Gift Tax Exemption: $14,000 per donee (up $1,000 from 2012)
- Contribution Limit for 401(k)/403(b)/457 Plans: $17,500 (up $500 from 2012)
- Catch-Up Contribution Limit (Age 50+) for 401(k)/403(b)/457 Plans: $5,500 (same as 2012)
- Income Limit for Full IRA Deduction: $59,000 single/$95,000 joint (up $1,000/$3,000 from 2012)
- Income Limit for Full Roth IRA Contribution: $112,000 single/$178,000 joint (up $2,000/$5,000 from 2012)
- Defined Benefit Plan Annual Benefit Limit: $205,000 (up $5,000 from 2012)

At the **LifeSpan Annual Family Reunion™** we will review some of these in more detail, some in less, address any new issues that come to light, and take your questions. As the debt ceiling debate plays out, we may have new laws to report and new opportunities to take!

In any event, it looks like it is going to be another very interesting year.

Curt

Limited Time Offer! Charitable Gift From Your IRA

Many readers took advantage in past years of the ability to give IRA money directly to charity without having to report it as taxable income. That opportunity was not available in 2012, but the American Taxpayer Relief Act of 2012 says you might be able to do so—*retroactively*.

Distributions made during January 2013 from your IRA to charity can be *treated as having been made on December 31, 2012*; this is a must-do if you failed to take a required minimum distribution in 2012. Also, if you took a distribution from an individual retirement account *after November 30*, 2012, and *before* January 1, 2013, and you now transfer some or all of the money in cash to a charity before February 1, 2013, it can be treated as having been given directly from the IRA to the charity during 2012. If you withdrew your 2012 required minimum distribution from your IRA before December, you're out of luck.

Race to your accountant and financial advisor IMMEDIATELY if you are going to act on this!

Why Consider A Professional Trustee?

Many of our clients have named family members to serve as 'Death Trustees.' Those trustees have the responsibility to wind up the client's affairs, divide the assets, and set up the trust shares ("school bus trusts") for the beneficiaries. Further, the Death Trustee may be expected to continue to manage and oversee trust assets for other beneficiaries, especially for immature beneficiaries or beneficiaries with disabilities.

In some situations this will probably work out just fine. But in other instances, it might be better to have an outside professional serve as the Trustee for the immature or disabled beneficiary. If your son is not capable of handling money, for example, appointing his sister as the trustee over his inheritance might assure many years of family strife. Nominating a professional trustee may be the key to (1) making your trust work as you intended and (2) avoiding issues that often become the local gossip of your town! You have probably heard someone say, "I bet their folks would roll over in their grave if they knew that was going to happen!"

If you would like more information on the pros and cons of professional trustee selection, let us know. If there is enough interest, we will schedule a special workshop geared toward this topic, with a trust officer to help explain it all.

Send an email to Gayla, or just call, to let us know if this topic would be of interest to you.

"It is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now." President John F. Kennedy