

Winter, 2008

**TO DO NOW:**

**Plans that Work. People Who Care.™**

Your estate plan will work if you care and you work with professionals who also care! As we often have said, your plan won't work if we care more than you do. With that in mind, it is time to renew our mutual commitments to accomplishing your estate planning goals. We appreciate the confidence you place in us by allowing us to serve you for another year. To assure uninterrupted and efficient services, please do the following:

1. Select the best date and location for you to *attend* an **Annual Family Reunion™** (AFR), mark the enclosed yellow renewal form, and **return it immediately with your annual membership fee** (also note the date on your own calendar so you will remember to attend!)
2. Start working on updating the enclosed **Asset Review Report™** and return it to us by January 31, 2009. Add and delete items; update the dollar values; be sure to send new **Red Check Review™** paperwork for any new assets you put on the report (see the lime-green sheet for suggestions).

The **Annual Family Reunion** has become the centerpiece of our annual maintenance services. We will update the contents of your **LifeSpan Client Organizer™**, preview the calendar of the 'optional' activities for the year (**Family Education Programs™**, **Technical Training Programs™**, **Bridge-Builder™** events and **Community Builder™** events), provide a brief update on estate planning law, and give you practical suggestions for keeping your plan operating as it should to accomplish your goals. *You will want to be there!*

**2009: Last of the Tax Cuts?**

With the upheaval in Washington and the massive spending by the Congress and "lame duck" President, we will begin a bit out of character by focusing on taxes. Those with the taxing-and-spending power seem overwhelmingly caught up in finger-pointing, partisan bickering, and the misguided belief that government can solve economic problems by throwing more money at them. JFK once wisely said:

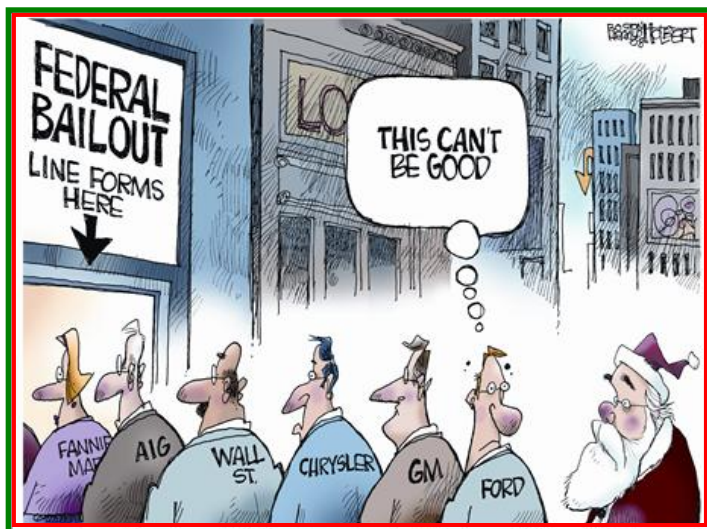
*"Every time that we try to lift a problem from our own shoulders, and shift that problem to the hands of the government, to the same extent we are sacrificing the liberties of our people."*

Especially economic liberty, I would add, which is the one that "supports" the exercise of all other liberties. I expect that someday we will look back on 2009 and 2010 as the time when our national leaders embraced socialism, openly and in name

**"The ultimate result of shielding men from the effects of folly is to fill the world with fools."**

*Herbert Spencer*

(after all, to some extent we have long embraced it incrementally in practice while



rejecting the name); as the time when the profit motive and freedom to succeed that made American workers the most productive in the world will go into full-scale decline; and as the time when the idea of government staying out of the way to let people produce desired goods and services for others with minimal regulation became old-fashioned. I believe that individual taxpayers (those who actually pay net federal taxes) will realize in 2009 their last real decline in taxes, as we near the end of the phased-in cuts enacted in 2001 and 2003, and as those cuts expire or are eliminated.

Following is just a quick summary of the 2009 changes, mostly adjustments in the dollar amount at

which you hit a new rate, or an increased exemption amount.

#### Income Taxes:

The major income tax adjustments (all of these are inflation-adjusted, so in one sense there is no real reduction of felt tax burden) include the 2009 tax tables for the 10%, 15%, 25%, 28%, 33% and 35% brackets for married persons, heads of households, single persons, married filing separately and trusts and estates. The dollar amount at which each breaks from one bracket to the next varies, but all are increased for inflation. For all except trusts and estates, however, the 35% bracket is reached at \$372,950 of taxable income, which is up from \$357,701 in 2008.

Trusts and estates with taxable income over \$11,150 hit the 35% bracket. This does NOT apply to living trusts, which are invisible for income tax purposes; this special trust tax rate has always applied to Family Trusts (i.e. after the death of one spouse) or Protective Trusts (i.e. school bus trusts when heirs inherit them). In addition to the asset protection these offer, such trusts still provide tremendous planning benefits, and must be income-tax-managed by careful investing and discretionary income distributions.

Other inflation-adjusted income tax numbers are as follow:

- Standard deduction: \$11,400 married, \$8,350 for heads of households, \$5,700 single (up from \$10,900, \$8,000, and \$5,450 in 2008)
- Aged or blind added deduction: \$1,100, or \$1,400 if single and not surviving spouse
- Itemized deductions: reduced by 1% over AGI of \$166,800 (up from \$159,950)
- Personal exemption: \$3,650 (up from \$3,500)
- Kiddie tax exemption: \$950 (up from \$900)
- Adoption credit: \$12,150
- Hope scholarship credit: \$1,800
- Low cost charitable gift articles: low cost article is \$9.50 or less, gift threshold is \$47.50 and 2% of gift maximum is \$95

#### Estate & Gift Taxes:

Treasury has also released several inflation adjustments that will affect gift and estate planning in 2009. These include the following:

- Annual gift exclusion: \$13,000 (up from \$12,000 in 2008; for many years was \$10,000)

- Gifts to non-citizen spouse: \$133,000
- Special use valuation under Sec. 2032A: \$1,000,000 (can be very helpful to farm estates)
- Sec. 6166 "2%" interest limit on estate tax installment payouts: \$1,330,000

The lifetime, cumulative gift exemption for 2009 (i.e. gifts to non-spouses in excess of the annual gift tax exemption) remains unchanged at \$1,000,000.

Finally, the most important estate planning change for 2009 is the \$3,500,000 federal estate exemption effective for deaths on and after January 1, 2009. This is the new federal "IRS Coupon" amount. Recall that for all Illinois residents, however, we have our own state inheritance tax that exempts only the first \$2,000,000; so our death tax planning (the "IRS Checkout" story!) still applies to—and saves a lot of money for!—all Illinois estates that exceed \$2,000,000.

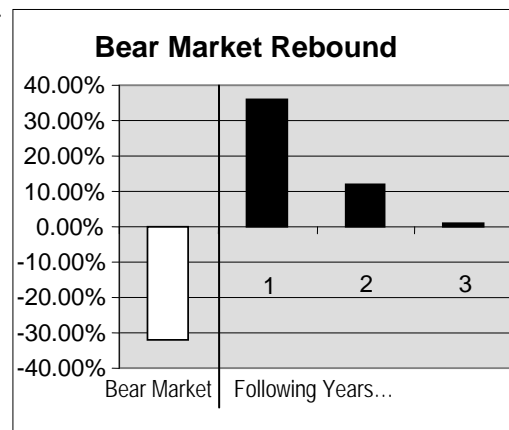
### Bear Market Making You Growl?

I am not your investment advisor. I don't want to be your investment advisor. But if you have money invested in the bear-ish stock market, consider this.

The impulse is to panic and bail out...right when the market is at or near its bottom. To do so would lock in all of the losses of the past few months, but more importantly, *would miss the most impressive gains the market will have to offer.* When the market starts going back up again...and it will...you would be sitting in "safer" investments like CDs or Money Market accounts, but *will miss the significant gains* the equities will realize. A study of the last nine bear markets reveals that the average down market lasted 384 days and lost 32%.

But notice that *in the first year after it hit bottom, the market made 36%*; in the second year, 12%; and in the third year just 1%.

So how much of the rebound do you want to miss out on? Will you wait in cash or CDs while the best year goes by? Just asking.



## Funding Forum

- Sherry French -

Just a reminder...if you have any asset that doesn't have a checkmark on your report, we do not have verification\* for that asset. Please send us appropriate verification\*! Also, when you update your Asset Review Report, if you have a new asset (CD, Ins. Policy, Car, Annuity, etc.) we need verification\* paperwork for it.

\*If you need to know what we need for verification, look in your **Lifespan Client Organizer** (black book) under **Tab 4** for the Red Check Requirements. For your convenience, I also attached a brief summary of the requirements on the green sheet attached to your asset report.

As you know, we are strongly committed to making sure each client's living trust is fully funded: all asset titles line up to follow the plan. Assets that are not properly titled will miss the instructions we developed and placed into your trust agreement. This can lead to significant extra expense at the time of death (for instance extra legal fees for probate procedures) as well as failure of the plan to direct those assets to the right people, in the expected way, with the desired protections and/or tax planning.

Don't be afraid to give me a call if you need help with any funding matters. Thank you for *helping me help you keep your trusts fully funded!*

## Your Business is Your Investment

The October 2008 edition of *Midwest Wealth Management* magazine included an article identifying the "top ten ways business owners should treat their business as the investment it is." We thought the following excerpts worth sharing, with the reminder that you should coordinate these strategies with your wealth transfer planning process so you don't unnecessarily grow your estate when you could be moving value to your children or to trusts for them that will avoid future gift and estate taxation altogether.

1. *Personally develop the time-honored habit of spending less than you make and investing the difference outside the business.*

2. *Consider purchasing significant assets of the business in appropriate investment entities outside the company, allowing net worth (and, ultimately, cash flow) to build up over time outside the business. While these assets are still*

*tied to the business, they do develop value and cash flow potential that can be maintained after the sale of the business in appropriate circumstances.*

3. *If a C corporation has the ability to throw off significant cash flow, elect S corporation status. This will start the 10 year clock on the embedded capital gains in the C corporation and will be able to avoid a level of taxation on distributions of cash flow.*

4. *Sell a portion of the company to an Employee Stock Ownership Trust after conversion to an S corporation status. In addition to receiving a reasonable value for the portion sold, employees will enjoy significant cash flow and appreciation potential given that S corporation ESOPs do not pay taxes on distributions. Watch out for unscrupulous "ESOP packagers" who try to sell business owners on trying to extract the proverbial last dollar from an ESOP transaction.*

5. *Sell a portion of the company to outside investors. There are a number of private equity groups who specialize in minority investments or control investments of less than 100 percent ownership, allowing the owner(s) to retain continuing interest (s) while taking the opportunity for current liquidity.*

6. *Sell a portion of the company to key employees if circumstances warrant.*

7. *With appropriate tax, legal and accounting advice, figure out how to distribute excess assets and non-operating assets from the company's balance sheet. Not only with the shareholders then have the opportunity to achieve some diversification, the company will be more attractive to buyers. The business owners may even be able to do their own leveraged recapitalization if their banker is on board. Borrow money and distribute it to the shareholders. Then have the company pay the bank back out of earnings in the future. Competent tax and financial advice is necessary.*

8. *If the company generates excess cash flow above the need for reinvestment for available growth opportunities, pay regular dividends or make regular distributions. The shareholders will be able to diversify over time. If the business owner is the patriarch or matriarch of a family business, avoid the retention of assets in the company just to keep the children (or other family members) from having access to cash flow. It is detrimental to the company to keep those assets on the balance sheet.*

9. *If the business is not achieving optimal financial results, focus the attention of your entire management team on improving earnings. Then maintain that performance level and distribute the excess cash flow to owners over time.*

10. *If the company has excess working capital tied up in accounts receivable and inventory, focus the attention of the management team on reducing accounts receivable to more reasonable days' outstanding, and on improving inventory turns. The cash that is freed up should either be invested directly in growth or paid out in dividends or distributions.*

*Once streams of income and cash flow outside the business have been created (or begun), business owners should hire an appropriate adviser or advisers to insure that non-business assets are invested wisely and that they are achieving the diversification goals.*

- From article by Z. Christopher Mercer, ASA, CFA, founder & CEO of Mercer Capital



## Tax Free Wealth Transfer

For readers with in-family loans where you want the **interest rate** to be as low as possible, please take note of the current Federally-mandated rates. Loans of up to 3 years, 1.36%; Loans of more than 3 but not more than 9 years, 2.85%. By the time you get this, it might be even lower. This may be a great time to re-write existing loans you have made, or an ideal time to make low-interest loans you have considered.

These low interest rates provide an incredible wealth transfer opportunity for **those of you with larger estates** (your estate is larger than your available “IRS Coupons”). Ask Curt how you can leverage low-interest, in-family loans to transfer large amounts of real estate, business interests or other family wealth...**tax free!**

*"Every new regulation concerning commerce or revenue, or in any manner affecting the value of the different species of property, presents a new harvest to those who watch the change and can trace its consequences; a harvest reared not by themselves but by the toils and cares of the great body of their fellow citizens."*

*Federalist No. 62, likely James Madison*

## **Expanded Audio Visual Library!**

- **Nuts ‘N Bolts I™ (2007)**
- **Nuts ‘N Bolts II™ (2007)**
- **Truth About Estate Planning™ (2008)**
- **Technical Training Program™ (2007)**

For a 30-day check-out, we charge \$5 shipping & handling, and with each checkout you get a copy of the handouts. Helper Handbooks (for your family members who attend Nuts ‘N Bolts programs) are only given out in person. If you would like to *purchase* the video (i.e. to circulate in your family) just let us know. The fee is \$20 delivered to you with handouts.

Our newest “**Mixed Nuts**” program presented in Terre Haute (in September) and Salem (in November) has not yet been recorded. It got rave reviews so we’ll be presenting it again in 2009.

Also note that each year’s **Annual Family Reunion™** video is made available *only at a significantly higher price* (see the Summer 2008 newsletter for details).

*"Of those men who have overturned the liberties of republics, the greatest number have begun their career by paying an obsequious court to the people, commencing demagogues and ending tyrants."*  
*Alexander Hamilton.*

## **Education Update**

- Gayla Ball -

As I prepare to work on this article, I realize in a few short weeks I have been Education Coordinator for **The Estate Planning Center** Team for six years. Wow, that doesn’t seem possible. It is definitely very satisfying and rewarding to see how our clients and their families have benefited from our education programs over the years.

In 2008 I began assisting Curt with Settlement work, and I must say the families that have taken advantage of our education opportunities are better prepared when a loved one passes away. It is amazing how well our process works for the families even during this most difficult time. Being able to walk clients through the Education and Settlement phases of our **Three Step Strategy™** has truly given me a greater appreciation for how it *all works together*.

We recently finished updating our “Even” year clients with our **Client Update Program (CUP)**. Remember “Odd” year clients, 2009 is your turn.

The response to our “**Mixed Nuts**” held in Terre Haute (requested by those of who live in that area) and the one held in Salem was great. It was very informative for the clients and family/helpers that attended. “The best ever” was a common compliment we heard.

I look forward to seeing all of you at the **Annual Family Reunions (AFR)**. As a reminder, this is the annual meeting you are **ALL** invited to. You may want to make your reservations as soon as possible, because they do fill up fast! Also, during the year *anytime you want to attend* one of our meetings, it is very important that you make reservations at your earliest convenience. This helps us do our best preparing for each and every one of you. That being said, if you ever need to cancel or are unable to attend one of the meetings you have made a reservation for please let me know. Sometimes, we do have clients on waiting lists just in case there are cancellations.

Remember, if there is anything I can ever be of assistance with, please do not hesitate to call or e-mail me. This truly is my favorite time of year as we celebrate the birth of Jesus – so from my family to yours **MERRY CHRISTMAS!!**

## LifeSpan Meeting Reminders

Some tips to remember, when you are coming to a LifeSpan™ program:

- If Curt is teaching, the room will probably be cool. Bring a sweater if you're cold-natured!
- We will serve light snacks only...unless you specifically tell you that there will be a meal.
- Bring **Red Books** only to the **CUP**; bring your **LifeSpan Client Organizer™** to all events.
- Helpers with a **Helper Handbook™** should bring it to any meeting they attend.
- Reservations are required. Be sure to let us know if you are coming!
- If at the last minute you don't recall the meeting location, *come to our office at 919 West Main*; we post a sign on the door.

**Gipper Wisdom:** *"Our problems are both acute and chronic, yet all we hear from those in positions of leadership are the same tired proposals for more government tinkering, more meddling and more control—all of which led us to this state in the first place... We must have the clarity of vision to see the difference between what is essential and what is merely desirable, and then the courage to bring our government back under control and make it acceptable to the people." Ronald Reagan*

The Estate of Leona Helmsley, the billionaire hotel and real estate investor who died on August 20, 2007, first made news because in her will she provided for the benefit of her pet...she bequeathed \$12 million to her eight-year-old dog, whose name was **Trouble**. The bequest was actually in trust for the dog's care.

Under New York law, such a trust is known as an "honorary trust for pets," and the court has the power to reduce the amount of property transferred to the trust if it determines that the amount designated substantially exceeds the level needed to accomplish the trust's purpose. Judge Renee Roth did, in fact, reduce the size of Trouble's trust ...down to a mere \$2 million. If that were the end, I wouldn't include this story; many of you provide for your pets. *But there's more.*

It now turns out that in 2003 Helmsley had executed a two-page "mission statement," directing that the entire charitable trust established under her will, valued at **between five and eight billion dollars** (virtually her entire estate) be used for the care and welfare of dogs! There is a question as to whether Mrs. Helmsley intended the trust to be strictly limited to that purpose, in that, according to sources who claim to have seen the document, the trustees are given discretion as to the distribution of the trust fund. Those sources also state that the original mission statement established two goals for the trust:

1. To help indigent people, and 2. To provide care and welfare for dogs.

However, here's the kicker ... a year later, Ms. Helmsley **deleted the first goal!**

From a legal standpoint, the mission statement cannot be legally binding because it is not part of the will. However, such a mission statement (much like the "Letter of Instruction to My Trustee" our clients write or fill out) should play a role in the decisions of the trustees, because they must endeavor to honor Helmsley's intent!

**The Moral of this Story?** Never be sloppy about what you want to do with your estate; you might end up in the news, and the wrong people—or animals—will get your money!

## www.TLCPlanning.com

Be sure to add our website to your "favorites" on your computer web browser. We continue to find ways to make this website useful to you, your family and friends.

The menu works like an outline, so start by clicking on a topic that interests you (the list on the left side of the screen) and out to the right will pop sub-menus of pages you might want to read.

For all of our clients, note that you can update your **DocuBank®** information from the "Links" page on our website! Call Sarah with any questions you have.

You can also check on upcoming dates of our **Educational Programs**, which we post soon after we schedule them. (2009 AFRs should be up by now!)

For anyone interested in coming to our **introductory workshop**, there is a one-click link to the list of upcoming Truth About Estate Planning™ workshops. This remains the entry point for anyone who wants to be a client, so if your family or friends show interest, point them to the schedule on our website!

*It's a dog's life...*

## Estate of Leona Helmsley

- A story about "Trouble" -



- Information from Jim Witt-Senior Attorney, Estates *The Lawletter*, Vol. 31, No. 12

## Notice!

### Even-year clients who skipped the CUP

If you did not attend the **Client Update Program™** or make other arrangements (like the **Special Delivery System™**) for signing your updated legal documents this past fall, *your property powers of attorney and Living Trust are NOT UP TO DATE!* There were several recommended “legal” changes we made in these documents. To get your updated documents you should contact us and

1. review your Estate Planning Review Worksheet and let us know if there are any personal changes you want made to your documents, and
2. schedule a time to sign the updated documents.

## Wealth Reception Planning™

It sometimes seems like a lofty concept, but it really boils down to something simple. Ask your-self what my Legacy Builder Network™ colleague Bill Geasey suggested:

*“If you were alive to hand out the inheritance from you, what would you say?”*

An example of Wealth Reception Planning™ is this: go ahead and say those things now, while you are living. Engage your heirs in conversation about the things you might like to say as you hand them their inheritance!

If you would like to be a bit more formal about this project, give us a call. We have a whole series of “interviews” we can do with you, which we call Priceless Conversations™. We’ll record the conversation, put it on a nicely-gift-packaged Compact Disk (CD) to give to your loved ones.

## The Last Word

- Sarah Rupe -

Have you ever heard the phrase “**repetition is the motor of learning?**” This is actually a trick question because if you haven't, that means you haven't been to our Family Education Programs™ and if you have, I trust you will understand why I'm mentioning matters that I've mentioned in previous newsletters...

One major issue that keeps resurfacing is clients receiving mail from us and simply setting it aside. Our mail frequently has **dated material** in it and/or **specific instructions**. Please open our mail immediately and follow thru as requested in a timely fashion. We cannot care more about your plan than you do, and if we are doing our part and you are not doing yours, the *process* will not work and then your *estate plan* will not work! Let me remind you: we try to keep our annual service fees as low as possible, and, in order to do that, **we need your help!** If a team member has to make numerous attempts to follow up with you, it increases the workload and will consequently increase your annual fees. Your annual fee is not a “money maker” for us ... we barely break even with the services we provide for that annual fee. (I'm the office manager, it's my job to know this! ☺) *Please help us* keep our fees low by caring enough to look at, and respond to, mail you get from us.

Remember to mail all correspondence to our street address of **919 West Main, Salem, IL 62881**. We are no longer using the PO Box. I realize some clients may just pick up an old piece of mail and use that information, but please *discontinue* doing that. After six months, the Post Office stops forwarding stuff...we moved two years ago!

Don't forget to utilize the **Docubank®** service that is provided to you at no additional charge. Put this card in your wallet/purse so that it's handy if/when you need it. A good place in your wallet is near your driver's license and/or health insurance card. Also, don't forget you can change any of your personal or your primary contacts' information over the phone ((610)667-3524) or online ([www.docubank.com](http://www.docubank.com)). Be sure to have your card handy anytime you want to make such a change; you'll need your Member # and PIN from the card.



Lastly but possibly the most important, I want to thank you for your *gift of referrals*. We value each referral that you give us! We have been delighted to work with each and every one of you throughout your estate planning process and look forward to seeing you each and every year! So, when we receive referrals of great people like you, we are delighted! As you may recall, the first step for anyone in our estate planning process is to attend one of our *free Truth About Estate Planning™* workshops. Call anytime or visit our website for dates of upcoming workshops. Reservations are required:

**Call 618-548-3729 or 866-900-2878**