

February 17, 2011

Dear Client:

December 17, 2010 President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. This act surprised most Estate and Tax planners. The last two months have had our fellow industry professionals reading the act, researching consequences and rulings, and attending tax seminars.

While the changes in rates may have a profound impact on what are known as “taxable estates”, these changes apply for only two years. Without the ability to know tax rates and rules that will be in effect starting Jan 1, 2013, giving good advice to clients now about their estate planning needs and current irrevocable trusts is difficult.

There are many factors that cause traditional estate and business plans to integrate irrevocable trusts and the use of insurance, including general liquidity projections for business and non-liquid asset bases, domestic situations, special needs planning, and future generation planning.

After reading, researching, attending, and conferring with fellow professionals, my best advice to our clients for this year and 2012 is the following:

Do's:

- Schedule an appointment with your main financial advisor (Attorney, CFP, CPA) specifically to update and assess your estate planning needs and objectives. Include liquidity planning, looking ahead 5 and 10 years, with an eye to your potential asset appreciation, inflationary expectations, and known financial risks. Leave your advisor's office with a well founded estimate of liquidity that may be needed upon death(s) coupled with the sources of that liquidity.
- Keep any current insurance in place, but meet with your insurance professional to assess the policies themselves. Request in-force illustrations. Seek areas where contributions for the next two years can be minimized.

Don'ts:

- Don't stop paying premiums or close ILIT's without thought and purpose. Insurance on your life may be a valuable investment asset, even if you decide not to keep the policy in force. Many policies can be sold and converted to a cash payout for trust beneficiaries.
- Don't put off seeking insurance if you were already considering this option. Your insurability status today is known. Your health issues may be much different in 2 years. Premiums and coverage may always be reduced, but getting more insurance may not be a future option.

You may call our office at any time with questions specifically pertaining to your existing irrevocable trust.



Melissa Kemp  
President