HHEPC

Hoosier Hills Estate Planning Council

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President's Message

Happy New Year and best wishes for a healthy and prosperous 2011.

Congress made all of our professional lives more exciting and gave each of our clients another reason to consult with us in the new year by enacting the *Tax Relief, Unemployment Insurance Reauthorization & Job Creation Act*. We now all have reasons to touch base with our clients and to advise them of the increase in the lifetime gift tax exclusion amount (increased from $1M to $5M). We should also have clients revisit their estate plans since several clients will no longer need to worry about federal estate taxes at all since their combined estates don’t exceed $5M.

Our January 20th program in Nashville will focus on the tax consequences of Estate Disputes. Jennifer VanderVeen, a Certified Elder Law Attorney, is going to advise us on the tax traps we need to watch for when spouses, sons, daughters and others finally agree to settle their differences after someone dies. This topic is as relevant as the evening news since we have been inundated lately with news of the Mel Simon case pending in Hamilton County and the internal battles that are going on over the disposition of that sizable largesse.

This issue of the Newsletter also includes a thought-provoking article from Shari Woodbury on charitable gifting and motivating your clients to consider a charitable gifting program with illustrations of how the cumulative effect of such a gifting program can make a substantial difference on the quality of life for community residents.

Finally, our Estate Planning Day Committee has been working hard to put together an excellent program for the estate planning day coming up in the spring. They will need additional assistance for that undertaking before the day arrives and if you are interested in helping out, contact Brian Yeley, the HHEPC Vice President.

I look forward to seeing each of you at Salt Creek Golf Course Clubhouse on January 20, 2011. If you have not already done so, please RSVP by e-mail or by returning the flyer to Paul Bullock, the Treasurer, so that we will have sufficient materials for everyone who attends.

Best regards,
James Bohrer, President

Table of Contents

Estate Planning Seminar Program

January 20, 2011
Salt Creek Golf Resort, Nashville, Indiana
rsvp: kmcconahay@yahoo.com by January 17, 2010

Tax Consequences of Settling Estate Disputes

Jennifer VanderVeen

(Certified as an Elder Law Attorney by the National Elder Law Foundation)
Williams Barrett & Wilkowski, LLP, Greenwood and Granger, Indiana and Flint, Michigan

I. When will a settlement qualify for marital deduction?
  a. What was the available marital deduction under either will
    i. What are the requirements of IRC Sec 2056
    ii. How can trusts qualify?
  b. Basic tax rules regarding settlements
    i. Enforceable right
    ii. Bona fide dispute
    iii. Will the IRS recognize the settlement
      1. Case law
      2. IRS rulings
  c. What is Blondie's minimum elective share?
  d. What are Blondie's rights under each will?
  e. What are the ramifications of settlement options?
  f. How to pay settlement (which pot of $$ to use)
    i. Gift tax consequences
  g. How to provide certainty of tax result
  h. How to draft the settlement agreement
  i. What expenses are deductible

Speaker's Biography - Jennifer L. VanderVeen is certified as an Elder Law Attorney by the National Elder Law Foundation. She practices in the areas of elder law, probate and estate planning, tax law and veteranȇs benefits in Greenwood and South Bend, Indiana and Flint, Michigan. Jennifer graduated magna cum laude from Albion College in 1996 with a bachelor's degree in international political economy and received her law degree from the University of Michigan Law School in 1999. Jennifer has served as a faculty member for a number of ICLEF and NAELA seminars on a variety of topics. She is a member of the Indiana Bar Association (past chair of the Elder Law Section) and the National Academy of Elder Law Attorneys (chair of the Tax Section).

Seizing the Moment:
The Local Transfer of Wealth Opportunity

By Shari Woodbury, President and C.E.O.,
Community Foundation of Bloomington and Monroe County

A new study on the Transfer of Wealth in Indiana highlights great opportunity for communities in the HHEPC region. Here's what the data say, what you can do, and why you should talk about it with your clients.

If you followed news headlines in 2010, it may have seemed to you that the ñinvisible handò of the marketplace belonged this past year to a green fellow whose heart was two sizes too small.

- Unemployment, mortgage foreclosures, and the tension between Wall Street and Main Street cast a long shadow over the nation.
- Local government units from schools and libraries to cities and counties began facing painful choices for serving citizens with falling resources.
- Area non-profits struggled to keep up with the escalating demand for basic services like shelter and food; even holiday toy drives had to make unprecedented pleas for donations to make sure every Cindy Lou in our Whovilles had something under the tree.
- Generous community response to urgent needs, from those still able to help, made a big difference. But it may also have inadvertently reduced support for youth, arts and the environment – essentials for any community that aims to thrive now and in the future.

We have yet to witness the transformation of conscience of Bernie Madoff, the executives of BP or the big banks ï we have seen no hearts bursting out of formerly-greedy chests with a redeeming generosity. But, the community spirit does live on through the actions of thousands of caring Americans. One inspiring counter to the general economic gloom which graced headlines in 2010 came from Warren Buffett, Bill Gates and 40 fellow U.S. billionaires. In August, the group went public with a Giving Pledge, declaring their intent to donate at least half of their wealth for charitable purposes.

One of the founding pledgers, Lorry I. Lokey, explained: ñThereôs an old saying about farmers putting back in to the ground via fertilizer what they take out. So it is with money. The larger the estate, the more important it is to revitalize the soil.ò Another charter member, Jeff Skoll, put it this way: ñThe world is a vast and complicated place and it needs each of us doing all we can to ensure a brighter tomorrow for future generations.ò

The average Hoosier ï even many a successful Hoosier ï may wonder whether each of us can indeed make a difference like these billionaires. After all, most of us donôt have a 10-figure net worth. Yet, just like the wealthy participants in the Giving Pledge, most local people *can* give, either during their lifetimes or at death, for charitable purposes of their choosing ï and our communities stand to benefit tremendously if they do so.

The 2010 Indiana Transfer of Wealth Study

Itôs true that 50% of a billionaireôs resources can go a long way. Itôs also true that 5% of $300 billion ï the approximate combined net worth of all Hoosiers ï could have a far-reaching impact if invested in our communities by residents with local commitment and foresight.

We have a fresh source of information on this in the 2010 Indiana Transfer of Wealth Study, which was commissioned by the Indiana Grantmakers Alliance and delivered by the Rural Policy Research Institute in November. Updating a 2006 study to take into account the Great Recession, this new report projects how much Hoosiers will hand down to the next generation in ten years and fifty years. In the present climate of scarcity, this new data reminds us that an abundance of assets reside in our communities.

Transfer of Wealth (TOW) and Philanthropic Potential in HHEPC Counties					
	Bartholomew	Brown	Lawrence	Monroe	Indiana
Current Net Worth	$3.87 billion	$0.75 billion	$1.82 billion	$5.97 billion	$298.28 billion
Change 2005-2010	*$218.86 million*	*$-302.43 million*	*$-171.62 million*	*$-1,717.71 million*	*$-34.553 billion*
10 Year TOW	$1.28 billion	$0.19 billion	$0.48 billion	$1.99 billion	$104.28 billion
5% Endowed	*$64.19 million*	*$9.55 million*	*$24.10 million*	*$99.62 million*	*$5.21 billion*
5% Payout	***$3.21 million***	***$0.48 million***	***$1.20 million***	***$4.98 million***	***$260.7 million***
50 Year TOW	$4.11 billion	$0.60 billion	$1.55 billion	$7.03 billion	$368.09 billion
5% Endowed	*$221.98 million*	*$29.77 million*	*$77.32 million*	*$351.65 million*	*$18.40 billion*
5% Payout	***$11.10 million***	***$1.49 million***	***$3.87 million***	***$17.58 million***	***$920.22 million***

Note: Dollars are adjusted for inflation

The chart above gives a county breakdown for the primary counties served by the Hoosier Hills Estate Planning Council, as well as statewide figures. In Monroe County, for example, the 2010 net worth was just shy of $6 billion. Researchers estimate that almost $2 billion will be transferred across generations in the next ten years. If residents dedicated just 5% of that amount to the greater Bloomington community ï and endowed it for long-term support of local needs ï the result, assuming a 5% annual payout rate, would be almost $5 million available each year to meet basic needs, boost opportunities for recreation and lifelong learning, enhance the education and development of our youth, bring richness to local lives through arts and culture, and help preserve the areaôs natural beauty. In other words, tremendous resources could be put in place to forever preserve and enhance for future generations everything that we love about Bloomington.

How much of a boost would this level of perpetual support really give, compared to current community resources? To continue with the Monroe County illustration, an additional $5 million a year for community grant making would provide almost seven times as much as the local community foundation granted at its most recent peak of approximately $730,000 in total available annual funding. Wow!

The 50-year figures are even more amazing. The projected transfer of wealth in Monroe County in that time period is over $7 billion. If 5% were dedicated permanently to the community, that would represent over $350 million in new endowment ï making available up to $17 million plus *every year* to enhance the local quality of life.

Taking Action – How to Help Your Clients & Community

In an era when non-profits and government units are struggling to make ends meet, the Indiana Transfer of Wealth study presents a compelling opportunity for area Hoosiers to make a lasting difference in their communities. But to the extent that later generations are not investing here ï given the in-migration of retirees from elsewhere and the out-migration of our young adults in pursuit of their careers ï we wonõt keep these dollars in our communities without a strategic effort to inform committed residents of this uniquely powerful opportunity to give back.

What if the local entrepreneur who loves Bloomington, the farmer who is rooted in Lawrence County soil, the native leader of Columbus ï what if they realized they could include their communities among their heirs, and thereby make those communities stronger for future generations?

As a professional advisor with knowledge of estate planning, you can help bridge the gap between what is possible and what actually comes to pass. Here are three actions you can take:

First, help clients see that they have options that don't cost them anything today. In this uncertain economic climate, some people may feel cautious about any near-term expenditures, including charitable ones. But even if a client feels insecure about putting more of his money into his IRA, he can act now on his community caring through a beneficiary designation, and feel good knowing he will improve life for future generations. A life income plan could even address both goals ï for income security in retirement, and a charitable legacy. The client who worries about her ability to meet her own future needs can establish a revocable gift, such as a bequest, to benefit her community interest in children or arts. And the list of planning tools and creative applications goes on. Deferred giving offers tremendous opportunities for clients to act now to make a difference forever. Be sure to share these opportunities with them.

Second, assure clients that no amount is too small or too large to make a difference. Clients can be reminded that others in their community will give as well, and that the combined impact of many givers will be a substantially larger pool of resources to meet future needs. As the figures cited above show, ñjustò 5% can make a tremendous impact on a community ï especially when the funds are well-stewarded. The impact of giving on the giver is something to consider as well. The satisfaction people take in acting on their values can be a wonderful result of your professional relationship with them. In this vein, another Giving Pledge member, Peter G. Peterson, commented: ñAs I watched and learned from my fatherõs example, I noticed how much pleasure his giving to others gave him. Indeed, today, I get much more pleasure giving money to what I consider worthwhile causes than making the money in the first place.ò

Third, tap your local community foundation to assist clients as appropriate with designating charitable gifts. As public charities that exist to foster philanthropy and improve their communities, community foundations are natural stewards for gifts to benefit clientsô communities in perpetuity. Community foundations can help direct support to specific geographic areas, charitable fields or organizations, according to the clientsô desires. Community foundations can offer a wealth of knowledge about community needs that clients may find useful while designating gifts, or as an assurance that their support will keep up with evolving community needs in the future. And community foundations can suggest how to document clientsô charitable wishes effectively, to be sure those wishes will be honored ï even if local conditions change.

So there are three concrete steps you can take to help realize the transfer of wealth opportunity for Indiana. But you have a long list of to-doôs, and many other topics to discuss with clients. Charitable giving can sometimes get lost in the shuffle. Donôt let it, because time is slipping away. Here are three reasons why this topic is an urgent one for client consideration:

1. ***Estate transfers are happening every day.*** If we delay sharing with clients the important opportunity to shape the future of their communities, less of this opportunity will be realized – there will be less principal and yield dedicated to community improvement, and fewer people enjoying the "helper's high" from giving.
2. ***For many communities, the greatest opportunity comes sooner rather than later in the next 50 years.*** For Monroe County and Lawrence County in particular, transfer of wealth estimates in the updated study actually went up for the 10-year forecast, but down for the 50-year forecast, compared to the earlier study. Various demographic factors play into this, including the lifespans of baby boomers and the portion of local populations they make up. In the state of Indiana overall, the population is aging more quickly than in any of the dozen plus other states the researchers have studied – meaning that the opportunity to establish permanent community assets is also more fleeting.
3. ***It's been over a decade since the early landmark study on transfer of wealth first came out.*** Since Paul Schervish and John Havens of Boston College published their study, *Millionaires and the Millennium: New Estimates of the Forthcoming Transfer of Wealth and the Golden Age of Philanthropy*, both the non-profit sector and the professional fields that advise on estate planning have heard a good deal about this phenomenon. We have known for 11 years now about the enormous potential for charitable impact as citizens decide how to dispose of their assets after their lifetimes. As a professional advisor, have you done as much as you personally aspire to do in response to this opportunity? The time is now.

There are several members who havenøt renewed their membership. If you are not sure you are current, please contact Kathleen McConahay at kmcconahay@yahoo.com. If you would like to renew your membership, or you have a colleague who would like to join, please use the form below. Thank you for your continuing support of the Hoosier Hills Estate Planning Council.

Membership Application 2010-2011

Membership Information:

Name:____

Last First MI

Company Name:____

P.O. Box:____

Street Address:____

City, State, Zip:____

E-Mail Address:____

Telephone No.:____

Company Fax

License No.: ____

Profession (Please circle): CPA, Attorney, Insurance, Trust Officer, CFP, Financial Advisor, Other (state):______________________________

Please mail your check for $110.00 to: Hoosier Hills Estate Planning Council
c/o Paul Bullock, Treasurer
3925 Hagan Street, Suite 300
Bloomington, Indiana 47401

Estate Planning Seminar

Featuring **Jennifer VanderVeen,** (Certified as an Elder Law Attorney by the National Elder Law Foundation)
Williams Barrett & Wilkowski, LLP, Greenwood and Granger, Indiana and Flint, Michigan

Date: Thursday, January 20, 2011
Time: 12:00 noon light lunch Program: 1:00 pm ï 3:00 pm
Place: Salt Creek Golf Resort
2359 State Road 46 East, Nashville, Indiana

To register for the seminar, mail your check to Paul Bullock, Wachovia Securities Financial Network, 3925 Hagan St., Ste 300, Bloomington, Indiana 47401 or you may e-mail Kathleen McConahay at kmcconahay@yahoo.com.

Registration Fee: **free** for Members and Guests* -- **$60.00** for Non-Members

Please register by January 17, 2011

REGISTRATION INFORMATION

Please register me for the seminar on January 20, 2011.

Enclosed is a check in the amount of $____________payable to Hoosier Hills Estate Planning Council.

Name____

Address____

Phone_________________________________**e-mail**__________________________

***If the guest would like to receive ce credit, please enclose $60.00 with the registration form and mail it to Paul Bullock at the above address.**

Hoosier Hills Estate Planning Council
c/o Paul Bullock
3925 Hagan St., Suite 300
Bloomington, Indiana 47401

Estate Planning Seminar

Jennifer VanderVeen
January 20, 2011

Salt Creek Golf Resort
Nashville, Indiana

Take advantage of our website
www.hhepc.org