HHEPC

Hoosier Hills Estate Planning Council

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President's Message

Happy New Year! As we look back at 2009 we may all take pride in the knowledge that we, individually and collaboratively, overcame the many challenges that, at times, must have appeared insurmountable. As if the lingering recession, altered market fundamentals, continuing war on terrorism, and vague national legislative agenda were not enough of a challenge, 2010 promises to be the opportunity of a decade for the trust and estate advisory professional. Will the temporary repeal of the Federal estate tax and enactment of the carryover basis system be recognized as an opportunity to expand your practice and enhance client loyalty? Will you be successful in advising your clients to take action despite an uncertain tax and regulatory environment? I believe the members of the Hoosier Hills Estate Planning Council will take charge and lead by example.

It is my pleasure to welcome all estate planning and tax professionals to the next meeting of the HHEPC to be held January 13, 2010 at Chapmanôs Restaurant and Banquet Center. The program will cover Estate and Gift Tax Updates and Roth IRA Conversion. Details are provided in the enclosed registration. Please take this opportunity to invite other professionals who are not yet HHEPC members to attend. The meal and CPE program are free to members and $60.00 for non-members; however, attendance is free to prospective members attending a meeting of the HHEPC for the first time. Please extend our invitation.

Our intent is to increase public awareness of what the HHEPC is, the services offered by its members, and facilitate greater public access to its members. Help us make your membership in the HHEPC a rewarding experience. I look forward to hearing from you.

Best regards,
David A. Maschino, President

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Estate Planning Seminar Program

January 13, 2010

Chapman's Restaurant and Banquet Center, Bloomington, Indiana
rsvp: kmcconahay@yahoo.com by January 11, 2010

Estate and Gift Tax Updates

William R. Owen, Jr., CPA, CFP, Partner
BGBC Partners, LLP, Indianapolis

Roth IRA Conversion

Amy Whittredge, Anthony Stonger and Malcolm Webb
BKD, LLP, Bloomington, **Edward Jones**, Bloomington, and **Malcolm Webb Wealth Management,** Bloomington

Estate and Gift Tax Updates

1. Where have we been? - Review of the 2001 Act, Sunset provisions, and Prior Law
2. Where are we now? - Current Estate and Gift Tax Laws
3. Where are we going? - Proposed Legislation and Predictions
4. What's a client to do? - Ideas, Suggestions, and Planning

Roth IRA Conversion

1. Review of IRA/Roth Rules and benefits
2. Advantages and disadvantages of conversion
3. Hypothetical Case Review and Comparison
4. Conversion/Recharacterization Technique
5. Tax Strategies and Slam Dunk Candidates
6. Cautions and Pitfalls

Speaker Biographies

William R. Owen, Jr, joined BGBC Partners, LLP as the Director of Tax Services, providing direction and guidance on tax policies and procedures for the Firm's tax clients, as well as tax planning and compliance advice for corporate, partnership, and executive taxation.

In addition to business tax services, Bill has extensive experience providing income, estate, gift, trust and stock option tax planning services to individuals and executives and has spoken to various groups on these subjects. He is a member of the American Institute of Certified Public Accountants, Indiana CPA Society, The Financial Planning Association, Indianapolis Estate Planning Council and the Hoosier Hills Estate Planning Council. Bill currently is the Chairman and past President of The Financial Planning Association of Greater Indiana, a member of the Indiana CPA Society's Leadership Cabinet for 2009-2010, and a member of the Central Indiana Community Foundation's Professional Advisor Leadership Council.

Amy Whittredge, BKD, LLP**,** has more than seven years experience working with high net worth individuals and closely-held businesses. She takes pride in providing integrated business and personal tax planning solutions. In addition to overseeing the preparation of annual tax returns and projections, she researches, advises on and assists clients with the implementation of business tax planning opportunities, planning for owners and estate planning.

Amy is a member of the AICPA and Indiana CPA Society. She is also a member of the Hoosier Hills Estate Planning Council.

Amy is a 2001 graduate of The University of Kansas, Lawrence, Kansas, with a B.S. degree in business administration and accounting. She is a 2004 graduate of Indiana University, Bloomington, Indiana, with a Master's degree in accounting**.**

Anthony Stonger is a Financial Advisor with Edward Jones Investments since June 1995 and Limited Partner since 1998. Understanding the investment needs of serious, long-term individual investors and helping them reach their financial goals.

Education: Accredited Asset Management Specialist, College of Financial Planning, Denver, CO 2002;
Securities Licensed: Series 5,63,66 and 7 IN Insurance Lic. Life Health, Long Term Care; Bachelor of Science degree from Indiana University, Bloomington, IN 1988

Community Involvement:: Rotary International, Bloomington Club (President 2007), YFC Board Member, Financial Peace University Instructor

Malcolm Webb is an investment and insurance professional in Bloomington, Indiana. He began his investment career in 1989 at US Trust in New York, and later worked as a stockbroker for J.JB. Hilliard, W.L. Lyons before forming his own firm in 2003. He specializes in working with all types of individuals, but particularly enjoys working with creative people who find financial matters bewildering and wish to be educated at their own level and speed.

Webb is the Treasurer of the Adams Memorial Foundation, a local religious charity established in 1927. He serves on the board of the Hoosier Hills Estate Planning Council, as a Commissioner on the City of Bloomington Economic Development Commission, and in several committees in the First United Methodist Church of Bloomington. He is a 2nd Lieutenant in the Monroe County Composite Squadron of the Civil Air Patrol, a USAF Auxiliary engaged in emergency services, disaster relief, and aeronautical education.

Zen and the Art of Revising Your Client's Plan, Post Apocalypse Meltdown

By Nancy Murphy, CFP®
AXA Advisors, LLC, Columbus, Indiana

To: All Employees
Re: Recent Economic Downturn

By now you are all aware of the effects of the current global crisis and the need for cutbacks in our budget. Initially there was some concern that the economic crisis would force us to reduce the Four Horsemen of the Apocalypse to Three. Fortunately we were able to convert our business model to a bank, qualify for TARP funds and will now be able to maintain our full workforce. Some departments, such as Greed, Avarice, and Lust have had substantial overtime in the past few years and will be expected to reduce their hours. Others, such as Fear, Pestilence, and War may see a substantial increase in their hours.

First came gut wrenching fear, which gave way to a pervasive battered feeling, leading finally to the calm that comes when all hope is lost. And that was just the first two months.

Since October last year, we and our clients, indeed the entire world, have faced an inflection point. Many of us believe that what we have witnessed has been a pivotal life experience ï one that will shape and direct us for many years to come. While some may expect the market to recover quickly, the economy to right itself, unemployment to sink back to a tolerable level and for things to get back to normal in short order, there is a rising tide of voices that are proclaiming the new ñnormal,ò one that will require more from us as advisors.

In a year where we witnessed the U.S. financial system pulled from the edge of the abyss, many of us were unprepared for the wholesale slaughter of precepts that were believed to protect our clients from most harm. Asset allocation, modern portfolio theory, and diversification provided no protection as the market blew up. CPAs, estate attorneys and financial planners, using projections based on the past, have seen plans crumble and fail. Our carefully prepared documents have not included the possibility of deflation followed by global hyperinflation.

As professionals, we carry a responsibility to guide our clients towards making the right decisions for themselves. Inflection points give us the opportunity to support our clients in uncovering and clarifying what is most important to them. Substantial returns from the market allowed some of our clients to spend their income and assets like a first timer around the Monopoly board: buying whatever they land on without regard to price or the little bills that crop up along the way. They have become dependent on anticipating passing GO and easy access to a never-ending supply of money.

In the ñnew normalò weôve already seen people cutting back greatly on their spending. However, there has not been a substantial increase to contribution rates for retirement plans. When employers dropped the matching contributions to 401(k) plans, many employees dropped their own contributions as well. At the same time, they still expect a comfortable retirement. They continue to focus on stocks as the foundation of their retirement portfolios, regardless of their age or their dependence on those funds for income. And they expect an average of 9%, compounded, from their investments.

Clearly the wealth management advisor has their work cut out for them. In the recent past, weôve been able to focus on sexy investment returns and spent less time on planning basics. Clients will need to be educated to notch down investment expectations and seek achievable, not maximum, returns. They may need to scale back their ideas of a comfortable retirement, save more, and work longer. Conversations with clients currently in the work force could include an evaluation of the risk factors of their current employment, and a discussion of steps that could be taken, such as developing new skill sets, or even moving to a more stable industry. They should be building an emergency fund that can support their family through an extended period of unemployment. And everyone could use a reminder that borrowing, whether through home equity loans or credit cards, or even printing money to bolster the financial industry, commits you to making regular payments. Larger commitments of our income to debt repayment ultimately results in a reduction in our financial flexibility and resilience

It is not only the assets that we depend on for living that have been challenged recently; those assets that are intended to enrich the next generations have suffered from downward evaluations as well. Estate plans that included leaving equal gifts through stocks, real estate, etc. may now be lopsided due to the changes in asset value. There could also be an unequal allocation of taxes, based on specific bequests.

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As dividends and interest rates shrink, estate plans that make specific allocations of assets to trusts may leave the surviving spouse with little income on which to live. Because people have lost substantial wealth, life insurance has come back again as a viable option to replace that wealth. Clients are beginning to look at a life insurance policy as an asset class for their fixed income allocation as well as wealth replacement because of its unique tax properties. In addition, charitable gifts of appreciated stock will need to be reevaluated if that appreciation has disappeared.

The depressed economic environment is giving some positive opportunities. Because of lower business valuations, this may be an ideal time for a conversion from C corporation to sub S. Capital losses can give clients an opportunity to reposition their portfolio, or offset anticipated capital gains in the future. Clients may wish to take advantage of lower valuations to pass assets with depressed values through to the next generation. Congress is currently reviewing techniques such as GRATs, GRUTs, charitable trusts and family limited partnerships, so this may be an ideal time to implement these methods while the opportunity exists.

More than ever, our clients will need all of their advisors to help them make wise decisions in an increasingly complex environment. We will need to keep our powers of communication, and persuasion, at the forefront. Profound changes have occurred; our future may well be a rocky path to a ñnormalò that we would not recognize today.

Nancy Murphy's practice focuses on providing clients strategic and practical advice for their financial lives, especially those near or in retirement. Her experience encompasses financial planning and investments as well as insurance.

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Take advantage of our website
www.hhepc.org