Notes from 2015 Field Guide to Estate Planning Meeting

February 24, 2014

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General consensus

* There is much to be added to this publication, but we will need to remove some sections in order to provide for these additions. Don’t want book to become too cumbersome.
* Consider refocusing the EP section to broader retirement planning to counteract effect of $5.3+ million estate exemption. (From RZ: Things I would like to add are ideas that will help to move this book from primarily estate tax oriented ideas (especially in the estate planning section) to more income tax oriented and risk shifting/non tax ideas.)
* **Yes, the book absolutely needs to become more retirement planning. In that context, we should consider adding the word “Retirement “ to the title of the book or getting the word “retirement” somehow on the cover of the book.**

Questions to pose to Don Cady (DR)

* What determined placement of info in front (Charts/References section v. Terms/Concepts section)? For example, there is info about Roth IRAs and IRAs in both front and back of book.
* Want to change title of Terms/Concepts section from Appendix to just Terms & Concepts. Does he have a problem with that? **I think key concepts that merit significant discussion (like IRAs and Roth IRAs) should appear in the main body of the book and not be referenced in the “terms and concepts” discussion. That should be reserved for related kinds of topics or areas that don’t get much treatment in the book. I really think of “terms and concepts” as an Appendix really. Maybe create an “Appendix I” for terms and concepts and an Appendix II for charts and tables**.
* Are quotable quotes of value? Should some or all be deleted? **I agree that they can be deleted. We are taking something away that few will miss and replacing with much better content.**
* Want to delete some of pages 284-321 (particularly 284-299) to make room for new material. **I support deleting 284-303. After that there is some good material, particularly benefit limits, IRA contribution limits, etc.**
* How did Don calculate CPI, p. 312?

Miscellaneous Items (RZ and RC)

* Assuming insurance professionals are main audience, should we *refocus* some of the estate planning topics to income tax/retirement planning? This would not entail deleting these sections, but should the slant be changed? **See below**
* In general try to refocus Estate Planning section to have broader appeal given changes in estate tax exemption. Introduce state-specific estate planning info, gently slant info to retirement planning rather than “estate planning”? **Yes, see below**
* Move and/or expand Social Security info (p. 310) up in the book and create material on how to maximize Social Security. **Social Security is an important part of retirement planning for many people. I think we should collapse as much as possible the discussion on social security (including charts) into one section and focus on ways to maximize benefits**
* Pointers: add paragraph about uses of life insurance. RZ team to look at this and entire Pointers (pp. 5-7) and possibly revise.
* Rick Cline to outline sections he would like to see deleted.

Proposed deletions

Quotable Quotes **Yes . Probably the most “deletable” of all the sections.**

Pages 284-321 (particularly 284-299) **I suggest 284-303 as stated above**.

Page 591 Cool Web sites **Yes. Too hard to keep current and not enough value. Most people can google today for this information.**

Page 590 Industry Associations **Yes, for the same reason as cool web sites**.

Page 572 Federal Estate and Gift Tax Rate Table (not as important) today **Its not as important but I don’t think we can have a book dealing with the topic and not have a rate table.**

Pages 574 and 575. PS 58 and Table 38 Rates **Not sure. Don’t have a feel for this**.

Possible content areas to add for 2015

* Healthcare Reform – questionable? This is not really EP but could impact Employee Benefits and/or Business Planning**. I think we need to deal with it but more from the employer standpoint, especially compliance and reporting issues starting in 2015. This could be 3-4 pages but I don’t see how we can avoid discussing it.**
* Life insurance for Income Tax Planning (supplemental to Income Planning) (From RZ: I would like to add a section in “estate planning” on what maybe I would call “Life Insurance in Retirement Planning” or “LIRP” showing life insurance as a supplemental retirement option. Tying this into today’s higher income tax rates and introducing the idea of life insurance as an asset class. I am sure we could do 4 pages of this. Page 4 could compare the returns from various types of alternatives to a highly funded life insurance contract.) **Yes, this should be a key part of our changes. I think we should use as many pages as necessary to discuss this and would include Randy’s ideas for funding it through social security maybe with real life numbers on how a policy could be built up this way. The legacy floor idea could go here too although that’s kind of estate planning oriented.**
* RZ: add a section on life insurance for creditor protection. The 4th page could be a MAP showing which states have: 1) full exclusion from creditors for life insurance, 2) partial exclusion, and 3) no exclusion. I think with 2008 still on people’s minds and with the reduced emphasis on estate taxes – life insurance for income taxes with the supplemental benefit of creditor protection is a hot idea. **Asset protection is a good topic and I know that at least a few states have gone to full exclusion like Nevada so a current chart on this would be good. I think we are updating our information from NUAM and you could use our research. Maybe this is too busy of a map but it would be interesting to show a map where states income taxes are highlighted with one color, states with estate tax with another color and states with no exclusion another color. The states left with no colors would be the “retirement haven” states.**
* RZ: We have Endorsement Buy-Sell, Cross Purchase Buy Sell, and Trusteed Cross Purchase. I rarely see Trusteed Cross Purchase. More common are Partnership Buy-Sell and Cross Endorsement Buy Sell. So, maybe keep the Cross Purchase and Endorsements Section as they are and replace Trusteed with a four page section on “Hybrid arrangements” that could incorporate Trusteed, Partnership and Cross Endorsement Arrangements**. I don’t have an opinion on this one. Sounds right based on Randy’s experience.**
* List of decoupled states for estate tax purposes. Perhaps use map to illustrate states with death and/or inheritance tax. Include how to establish domicile for purposes of escaping surprise inheritance taxes at state level. (From RZ: Domicile Page 397. This is a one-page section now but I think this could be expanded to four pages and by making it a choice of law section where we discuss importance of state income tax and estate tax law when contemplating retirement. This could talk about wide ranges of state taxes and also work in what is needed to establish residence/domicile. Maybe we could have a MAP showing states with: 1) no state inheritance taxes, 2) pick up taxes, and 3) independent state inheritance taxes at lower exemption level than fed.) **This also should be a key addition to the book and take as many pages as needed. The state estate/inheritance taxes should be in one section with domicile residence issues. We should certainly list the states along with exemption amounts along with any unique deductions, exemptions or computations that affect who pays state estate tax. Any planning tips like bypass trusts should be included. We also need a discussion of residence and I would suggest some discussion on New York and California. Both states are aggressive in claiming residency status for those who leave for income and estate tax purposes. Also should have a few examples of the caselaw of California going after Nevada and Arizona people and New York going after Florida transplants.**
* Bypass trust at state level: consider using map to illustrate.
* How to equalize estates for beneficiaries. For example, leave business to one child and provide for other child with life insurance.
* Using life insurance as an investment option. **Yes. This would be very useful**
* Leveraging Social Security to fund life insurance – for those who do need the SS payments. This could provide for children who will not have SS when it is time for them to retire.
* Asset protection with life insurance. Move Asset Protection from T&C to Charts/Reference Section.
* Consider adding concept on importance of life insurance rating and list of top 20 insurers. Add this commentary to current Appendix page on ratings. (From RZ: What about taking insurance company ratings [maybe put into “estate planning section”]and have that Page 589 grid but talk about rating and importance of high ratings and then even show the ratings of the maybe the 20 or 30 largest US insurance companies? **I think that could be made into a very helpful 4 page section.) I agree with adding this section with explanation of the ratings, etc To the extent we have estate planning attorneys buying the book, this will be very helpful. Attorneys really do not understand life insurance very often and this can help with some basic understanding.**
* **Consider end of life directives and HPA/living will. I think this should also be a section in the main body and not in terms and concepts. Maybe the section is called end of life directives and includes durable PA, HPA, living will and any other relevant topics.**

Randy’s Minor Terms and Conditions to Add

* Dolgoff Plan
* Section 79 Plans
* Legacy Floor. This is an idea I promote showing life insurance as a way to protect against early death. With identified “legacy assets” (ie, those earmarked for heirs) use a small percentage of the annual return (maybe 1% or 2%) to purchase insurance to create an Insurance Floor to create the desired legacy now – in case people die before life expectancy.

Items to Move

* Company Owned Life Insurance (COLI). Pgs 269-271 Move to a section in Deferred Compensation Under Employee Benefits? (thoughts?) We would need to add a graph or something for 4th page. Also, could page 400 to 402 (EOLI) be merged with this? Seems like we could take these six pages and turn them into 4 somehow and move to front of book.
* Corp Alternative Minimum Tax (Move to Business Planning Section). Pages 375 to 377. Would need to add a 4th page. Maybe the 4th page could be an example?
* Domestic Partners. Pages 394 to 396. This section should be moved up to the Estate Planning Section. We could add a MAP that might show three status – 1) recognize same sex marriage, 2) recognize civil unions, 3) do not recognize same sex marriage or civil unions, and 4) legislation/court cases pending. Thoughts? **I don’t now about a map in that this seems to be pretty dynamic and likely quickly out of date but its an important topic, parituclarly in discussing what areas of retirement planning same sex couples extends and where it does not. Its my understanding that qualified plans know have to recognize same sex unions but social security, for example, does not. It should be its own section.**
* Equity Split-Dollar Pages 405 to 408 Is equity split dollar so remote at this point that it still warrants 4 pages? Could this be merged into the split dollar section in the employee benefits portion of the front part of the book (pages 216, ect). Or, if we keep this entire section – isn’t it better placed with the other split dollar discussion in that section? **Agreed/ I think it should be merged and condensed if possible.**
* Life Insurance in Qualified Plans. Pages 447 and 448. Seems like this is clearly an employee benefit and could be moved to that section with a page of text added and some kind of example or flow chart as a 4th page.
* Life Settlements. Pages 451 and 452. This seems like “estate planning.” Move to front section on estate planning with a 3rd page of text and a 4th page with an example – maybe talking about estate tax change and client deciding if the ROR on maintaining the policy as a legacy is better or worse than life settlement option?
* Limited Liability Company. Pages 453 to 457. Reduce from 4 pages to 3 and move to estate planning and put an example in as 4th page.
* Long Term Care Combo Products. Page 458 and 459. Increase from 2 pages to 3. This would be easy by discussing difference in LTC v Chronic Illness and Indemnity v. Reimbursement. I have a grid of 20 carrier offerings showing their product features (ie., LTC/CI, Reimbursement/Indemnity**). From reading recent articles from our Advisor’s Journal, this is a hot topic. Should be also include the hybrids like annuities with LTC riders and other ways that LTC can be purchased. A chart showing product features would be helpful as they are many kinds out there right now.**
* Move NonCitizen Estate Planning (page 476) and Qualified Domestic Trust (505) to the Estate Planning Section and make 4 pages. Maybe the 3rd page could be a discussion of on-shore life insurance (for NRA with Nexus) and off-shore insurance (typically Bermuda) for Aliens without residency and US Nexus. I’m not sure of the 4th page but I bet we could think of something.
* Nonqualified Executive Benefits. Pages 477 to 479. Are these three pages redundant from what is already in the employee benefits section of the book? If not, could they be moved to that section as an intro? Seems out of place in the terms and conditions section.

Schedule

* Randy to present basic plan by March 30. (preliminary presented)
* Rick Cline to work with Connie to enter index tax numbers on control sheet (so we know where numbers will have to be revised at the end)
* Send 2014 Word files to RZ. Done.
* Finalize general plan by April 30, 2014.
* Hire Amy Whitmer once again to insert section cross references.
* Goal is to update/revise/add/delete info during the summer and have these changes implemented prior to final numbers being issued and inserted. Deadline for updated content submission is (may be submitted earlier):

One-third (material reflecting approximately 200 print pages) by September 19, 2014

One-third (material reflecting approximately 200 print pages) by October 3, 2014

One-third (material reflecting approximately 200 print pages) by October 24, 2014

* DR to send RZ attachment outlining due dates by April 14, 2014.