



TRUST AND ESTATE PLANNING NEWS

The Good News, Bad News, and Important Information
From Your Friends At Unruh, Turner, Burke & Frees

FALL/WINTER 2013

In This Issue

Own A Family Business? It's Time To Update Your Estate Plan.

By David M. Frees, III, JD and Douglas L. Kaune, JD |

Would You Like To Able To Keep Your Family Business While You're Alive, Pass It To Your Family Members Under Your Will, And Save Tens To Hundreds Of Thousands Of Dollars In Pennsylvania Inheritance Tax?

If so, then this article will give you the secrets and many of the details of the new law, and how to take advantage of them for you and for your family.

PART ONE OF TWO



Page 1. Family Business Owner? New Law/System Saves Tens to Hundreds of Thousands of Dollars

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Want a Family Owned Business Review? See Page 4 for more information or call 610-933-8069.

PA ELIMINATES INHERITANCE TAX ON MANY FAMILY BUSINESSES:

If you haven't heard about this new law, you're not alone. Of the few people that know about this important law change, most have not created systems to allow you to understand the new law and to use it in your favor. We have developed these systems and we will share them with you in this article. We also have a full video report on the law and how to use it at <http://goo.gl/EHunAm>. The benefits of this law are not automatic. You need to understand this law and then you need to decide if the amazing new benefits are important to you. If they are, then you need to have a process for determining exactly what (if anything) needs to be done to your business structure to make it qualify for inheritance tax free treatment. You will also likely need to revise your will. More on the specifics of that later in this article.

WHAT ARE QFOBS?

First, we will define what we mean (and the state means) by a Qualified Family-Owned Business (QFOB) and who can inherit such businesses without paying inheritance tax - a Qualified Transferee (QT). This law now allows you, as the owner of a QFOB, to transfer that business upon your death to certain qualified family members without any inheritance tax. However, your business transfer will only qualify for inheritance tax exempt status if certain very important conditions are met both before AND after you pass away.

There are some tricky limitations. For example, this new law allows the transfer by will, but not by trusts, of QFOBs only to Qualified Transferees (QTs) and only in certain circumstances. Additionally, after your family member inherits the business they have to follow certain rules or the tax bill comes back to bite them....with interest.

HOW MUCH CAN YOU SAVE?

Current inheritance tax for transfers on death to family members ranges from 4.5% for transfers to children or grandchildren to 12% for transfers to siblings and in some cases even 15% for transfers to nieces and nephews. As an example, if you have a business worth 3 million dollars and you're leaving it to one or more of your children, under the new law you could save \$135,000.00 dollars with proper planning. That is a huge tax savings.

Leaving it to a brother or sister? If you do this right, you'll save \$360,000.00.
To a niece or nephew? You'd save \$450,000.00.

But, there's more to the story. The savings can be even bigger for more valuable businesses. You see, there's a strategy which, when used correctly, can allow a savvy taxpayer to shelter many millions of dollars from tax, much more than you might think when reading the new law on it's face.

Continued on Page 3.



2013 The “Perfect Gift” Buying Guide For Family and Friends By: David M. Frees, III

The key to finding the “perfect gift” is knowing what that special loved one or friend really wants. The first step in any gift guessing game is watching and listening. Some folks are great about hinting or just express delight when they see something that they want. They’re easy to buy for. Start listening for clues and you might find that you get some ideas for even the toughest. And don’t be shy about asking for a wish list. It’s ok to say “I can’t say what I’m going to get you this year but I’d love to know a few things on your wish list.”

No matter how open or closed your spouse, kids or other gift recipients are about their holiday wish lists you probably know some areas of their interests. And we’ve done some leg work for you in some of the most popular areas and we’ve discovered some of the best and most requested gifts – for sports fans, for foodies, charity (for the person who has everything) and in tech. So enjoy shopping and we hope you get what you want this year and that you have a great time shopping for the most important folks in your life.

Sports Gift Ideas: 1) Camping gear – rei.com and ems.com; 2) Sports equipment or apparel (typically a gift certificate is safest) – sportsauthority.com or modells.com; 3) Sports tickets stubhub.com **Gifts for Foodies:** 1) Restaurant Gift Certificates- (“Best of Philly” at philadelphiamagazine.com) 2) Cookbooks 3) Cooking tools and supplies – williamssonoma.com surlatable.com **Gifts of Charity:** 1) Most charities will produce a gift certificate for a holiday donation in honor of a friend or family member’s 2) Live in Chester County and want a local charity? Call 610-692-8211 to donate to the Chester County Community Foundation or any of their Chester County funds. **Tech Gifts For Under \$125.00:** All of these gifts are available at amazon.com 1) Roku3, Chrome Key, or Apple TV are all great gifts for a college student or someone who’s a tv and movie fan. 2) Amazon Kindle 2012 or Barnes and Noble’s Nook Simple - for the reader who travels 3) Logitech Wireless Solar Keyboard K760– for the green techie who has almost everything and who works on vacation 4) Seagate backup plus – back up is good for anyone but especially those that shoot loads of pictures and/or video.

Why Downtime Is Crucial For Peak Performance.

You can’t have a decent work/life balance unless you rest and build energy into your schedule. Follow these tips to make smarter choices, so you’ll feel terrific each day and accomplish more in less time. *** Take Regular Breaks.** We often lose track of time in the daily hustle. Take periodic breaks to stretch, or walk. Leave your desk at lunch and during brief breaks. *** Let Go.** Prioritize so you finish high-value tasks first. You’ll build momentum. *** Plan A Vacation.** Take a full vacation and plan several long weekends to recharge your creative batteries. Block out the time now. *** Pamper Yourself.** Find little ways to cherish yourself every day, such as taking a bubble bath, a walk, or a bike ride. Doing so lets you unwind and prepare for life’s next challenge. Exercise releases stress and builds creativity. *** Keep Your Brain Engaged.** You can rest from work while still exercising your mind with light reading or a Sudoku puzzle. *** Exercise And Nap.** A workout routine will help you stay healthy, maintain your drive and burn off stress and a nap is always a good way to recharge.



**UTBF’s New “Edition”:
Thomas Kaune
born 10.23.14**

5 TIPS FOR COOKS IN A HURRY OR WITH LIMITED TIME



3

HEAT FIRST

Preheat the oven or put water on to boil as soon as you walk in the door so you aren’t stuck waiting.

1

PREP AHEAD

Wash, dry, and trim veggies before storing to save precious prep minutes at dinnertime.

4

KEEP A RUNNING LIST

End last-minute grocery trips by writing down essentials that are low so you can restock before you run out.

2

BE A WEEKEND WARRIOR

Cook big pots of beans and rice, blanch vegetables, or roast two chickens at once, then build meals all week.

5

STORE ‘EM WHERE YOU NEED ‘EM

Keep cooking utensils next to the stove, pots on hanging racks, and knives near your cutting boards to save steps and seconds.

Continued from Page 1.

WHAT ARE THE REQUIREMENTS?

1) The business has to have fewer than 50 full-time employees; 2) It has to have a **net book value** of less than 5 million dollars. That the new law values a business by book value rather than fair market value is very important and we'll come back to this later; 3) It has to have been in existence for five years or more prior to the decedent's death; 4) It must be wholly owned by a decedent or by the decedent and members of the decedent's family that are qualified transferees; 5) It has to be engaged in a trade or business, the purpose of which is not the management of investments or income producing assets. This means that many family limited partnerships (FLP) set up for federal state tax purposes might not qualify as a QFOB; 6) It has to be a direct transfer and not IN TRUST to a QT. Again, this may be a disadvantage so more on this later, and finally; 7) Inheritance tax and interest that would be due on the QFOB become liens in favor of the Commonwealth on real and personal property of the qualified transferee (QT) at the time of the transaction.

WHO IS THE QUALIFIED TRANSFEREE?

In other words, who can receive a QFOB without paying Pennsylvania inheritance tax? 1) These interests could be transferred under a will without tax to a husband and wife; 2) To lineal decedents such as children, grandchildren and great grandchildren; 3) To siblings and siblings' lineal decedents - so brothers and sisters and nieces and nephews; and 4) To ancestors and the ancestors' siblings. So it could be given to a parent or grandparent or to an aunt and uncle.

SOME ADDITIONAL FEATURES

The new statute had several other important requirements: 1) The interest must be continuously owned by a Qualified Transferee (QT) for seven years after the decedent's death. That means if the QT actually transfers or sells the business interest, they are going to owe not only the original inheritance tax, but the interest that would be paid on it. It is very, very important to understand this.; 2) The interest also must be reported on a timely filed Pennsylvania inheritance tax return so you have to make sure that your executor is savvy and will hire counsel to properly file that return; 3) There's another requirement, that a certificate must be filed annually by each Qualified Transferee for the seven-year period and failure to do this will result in loss of the exemption; 4) Furthermore, if the QFOB is transferred to a trust, the transfer will not qualify even if the trust beneficiary would otherwise be a QT.

SO YOU HAVE A CHOICE – PAY TAXES OR PROTECT THE ASSET

In many cases, it will be important to consider whether it's better to save the inheritance tax or if it's better for the family member to have the creditor, divorce and lawsuit protection that can be created only by transferring the business to a trust.

Clients must realize there are some ongoing negative implications associated with garnering this tax savings, but in most cases these implications should be easily outweighed by the benefits of a massive tax savings. (We've created a system to help you to maximize the savings and to revise the estate planning to qualify for the new treatment).

Through this system, we help you to figure out if this planning will work for you; help to insure your business will be treated as a QFOB, and we will create special wills that allow you to give the asset to the Qualified Transferee in a way that allows them to decide whether to avoid paying the tax or to transfer it into an asset-protection trust if they are facing a divorce, lawsuit or they are concerned about those issues arising in the future.

FIND OUT IF IT'S RIGHT FOR YOU

We call this process the QFOB (Qualified Family Owner Business) Protection Process™. We will publish more about this process in the next newsletter. But, if you have a family owned business and you want to know more right now, you can see our full video report at <http://goo.gl/EHunAm>. If you already know you're interested, call Lisa at 1-888-808-5464 and ask for one of our Tax Free Family Business Audit calls. This is a quick call with David Frees or Douglas Kaune to determine if the business planning geared to take advantage of the new law is right for you and if your business will qualify for these massive Pennsylvania inheritance tax savings.

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Get Creative: Methods For Emulating Truly Creative People | Creative people may not be a breed apart, but they share certain characteristics. To sharpen your creative skills, work on developing these traits:

- **Curiosity.** Well, that's obvious, isn't it? But it's often forgotten in the rush of daily routine. Teach yourself to ask "Why?" about the issues and problems (and solutions) you encounter.
- **Energy.** This doesn't mean rushing madly around chasing ideas. It does require you to put some effort into collecting facts and thinking about the problem you're trying to solve.
- **Concentration.** Just as important as energy is the ability to stop and focus on what's in front of you, tuning out distractions or irrelevant activities.
- **Connecting.** You've got to look for links between elements that don't appear related at first glance. Sometimes this means finding order in chaos; sometimes it means breaking down ideas to discover what they have in common.
- **Playfulness.** Your work is serious, but you need to be able to stand back and adopt a naïve, even childlike attitude toward the world around you. This helps you ask questions and find connections in things everyone else takes for granted.
- **Persistence.** Even the great geniuses of our time don't expect success overnight. Practice self-discipline, so you can stick to your idea until it's successful.

Exclusive Content for our Clients: In an amazing turn of events, Pennsylvania has passed a law allowing owners of certain family owned businesses to pass those businesses to your heirs **FREE OF INHERITANCE TAXES**. Furthermore, this strategy can be used to save tens to hundreds of thousands of dollars. But the rules are specific and this is not for everyone. To find out more read this month's article on Page 1 and visit <http://goo.gl/EHunAm>.

Ready to Get Started? Call 610-933-8069 and ask for Lisa.



Offices of David M. Frees, III & Douglas L. Kaune
Please call 888-605-6482 and mention you read the
UTBF NEWSLETTER –
Lisa, Tammy, Denise or Bridget will be happy to assist you.