



# TRUST AND ESTATE PLANNING NEWS

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

SPRING 2013

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### Here's The Short Answer: There May No Longer Be A "Simple Estate" When The First Spouse Dies - What Married Couples Need To Know

About Estate Planning Under The New Tax Law By: David M. Frees III, JD |

On January 2<sup>nd</sup> of 2013 Congress passed and the president signed a new tax law known as ATRA. And, while that law is full of good news for tax payers, there are some real world issues that married couples need to know about that law, portability, and disclaimer that can matter very much to the surviving spouse and your heirs.



**First The Good News.** The new federal estate tax law now protects \$5 million dollars of wealth that can be passed to heirs without a tax. That means, that for now, if a husband and wife have assets worth less than that, they can pass their entire estate to their children OR grandchildren (thanks to a new Generation Skipping Exemption) with no federal estate tax. Even better news - the unified credit is now indexed for inflation and is actually already up to \$5.25 million dollars per spouse. Finally, the annual gift tax exclusion (the amount that you can give each year without tax and without using any of your 5 million dollars) has now been increased to \$14,000 dollars, per person, per year.

**Now The "Bad" News.** First, that's only federal. The state of Pennsylvania still imposes an inheritance tax at death. Next, many people mistakenly believe that they automatically inherit the surviving spouse's \$5 million dollar credit amount. But this is not true. The surviving spouse must take certain measures and file certain elections in order to "inherit it". For that reason, no matter the size of your estate, the surviving spouse must promptly get the advice of counsel when the first spouse passes. Why? Just because you have less the \$5 million dollars doesn't mean that you shouldn't do the paper work. What if you inherit money, your assets grow, and/or the government reduces the \$5 million dollar credit amount? Finally, the estate planning documents you did more than a few years ago may no longer be optimal and may need to be changed. *Continued on Page 3.*

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### Don't Forget, Your Beneficiary Designations Or Account Registrations Might Need To Be Changed!

**By: Douglas L. Kaune, JD |** The preparation of a Will or Trust document should not be the final step in making sure that your estate plan is fully established. Beneficiary designations on assets such as life insurance, IRA'S, 401K's, Annuities and pension/profit sharing plans will take precedence over directions set forth in a Last Will and Testament or Trust Document. Jointly owned assets will also transfer to the surviving joint asset owner regardless of the beneficiaries designated under other estate planning documents. It is very important that individuals coordinate their beneficiary designations and ownership titling with the wishes set out under their Will or the Trust(s) created during their lifetime.



The Last Will and Testament only serves to transfer those assets which become a part of a person's probate estate. A probate estate is made up of assets that were in a decedent's own name at the time he or she passed away or those assets that were paid to the estate after the date of death. Because the beneficiary designation or joint ownership of an asset will cause a transfer outside of the probate estate, these assets will not be distributed in accordance with the Will unless you take the necessary steps to coordinate this two separate facets of the planning process.

If you have trusts under your Will benefitting certain individuals, it is imperative that you consider revising the beneficiary designations on life insurance and potentially Annuity, IRA and 401K accounts to pay to the trusts and not to the individuals you might want to benefit from the trust(s). Some common beneficiary trusts you might have under your documents are found on Page 3. *Continued on Page 3.*

## Tips for Perfect Risotto

Risotto, an Italian short-grain rice, is a hearty side dish or meal in itself. Follow this advice from culinary experts to make it at home:

- Use a heavy copper or stainless steel pot so the heat is distributed evenly. Stir with a wooden spoon to avoid mashing or damaging the grains.
- Heat the pot and add the rice without any liquid, toss and toast the rice for several minutes to heat up the grain's exterior and seal in the starch.
- Add half cups of hot stock to the rice at a time to get the decided consistency. As the stock is absorbed, add more.
- Add fresh, seasonal vegetables to the mix and cook to desired consistency.
- When the rice is "al dente" or chewy to the teeth, remove from heat and stir in butter, olive oil, or parmesan cheese. These fatty ingredients will bind everything together and give the dish a creamy texture.

Click <http://www.youtube.com/watch?v=NaT-CEIVHhE> for a short video tutorial which includes a recipe for risotto, Enjoy!

## Sudoku #4

|   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|
| 3 |   |   |   |   | 1 |   | 2 | 5 |
| 7 |   | 5 |   |   |   |   |   |   |
|   | 9 |   | 7 |   |   |   |   |   |
|   |   | 6 |   | 5 | 4 | 9 |   |   |
|   |   | 7 | 8 |   | 2 | 1 |   |   |
|   |   | 2 | 6 | 7 |   | 8 |   |   |
|   |   |   |   |   | 6 |   | 4 |   |
|   |   |   |   |   |   | 2 |   | 9 |
| 5 | 1 |   | 2 |   |   |   |   | 3 |

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Fill in the blank squares so that each row, each column and each 3-by-3 block contain all of the digits 1 thru 9.

If you use logic you can solve the puzzle without guesswork.

Need a little help? The hints page shows a logical order to solve the puzzle. Use it to identify the next square you should solve. Or use the answers page if you really get stuck.

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## A Little Humor - Better Than Nothing

Two friends met on the street. "How are you doing since you lost your job?" asked one.

"Great!" said the friend. "I've taken up meditation."

"Meditation? You can't make a living doing that."

He shrugged. "It beats sitting around doing nothing."

## How To Eat Well When Travelling



Getty

1

### AT THE AIRPORT

Terminal food can be pricey and filled with sodium. Bring instant oatmeal packets (hot water is always available) and nuts to stay satisfied.

2

### IN THE CAR

Skip the drive through and make wraps with tortillas – PB&J or hummus with shredded veggies are portable and don't require a fridge.

3

### AT A HOTEL

Start your day off right: Request a mini fridge in Your room prior to check-in and fill it with yogurt and berries for quick, healthy breakfasts.

4

### IN A RENTAL

Make grilling easier at your vacation home. Prep spice rubs and marinades before you go for effortless flavor without a stocked pantry.

5

### OUT AND ABOUT

Add a farmers' market to your itinerary so you can enjoy local food and learn about the area. Visit [localharvest.org](http://localharvest.org) to find a location.

## **ATRA - The New Tax Law (cont. from Page 1)**

And even though trusts for the surviving spouse may no longer be needed for estate tax planning, they may still be necessary or desirable to protect the spouse and other heirs from the remarriage and divorce of the spouse, or the loss of cognitive ability due to accident or illness such as dementia.

**What Does It Mean To You?** Make sure to update your estate planning documents to comply with the new law, to use the flexibility of the new law, and make sure that you're taking advantage of the ability to protect the spouse and children from divorce and/or lawsuits.

At the death of the first spouse you need to get good advice (and promptly) on several issues.

First, you need to decide on whether or not to spend the money to "inherit" the surviving spouse's credit.

Next, you need to get good advice about whether or not to fund a trust for the surviving spouse. These are often known as disclaimer trusts. And again, the decisions about these trusts need to be made very promptly after a spouse passes away.

Failure to make these decisions can result in very significant taxes and/or problems for your heirs that can easily be avoided with good planning.

**David M. Frees III, JD**

**David Frees Chairs the Trust, Estate & Wealth Preservation Section of UTBF**

## **Changing Beneficiary Designations (cont. from Page 1)**

- A trust for your spouse created for potential use of your federal estate tax exemption, creditor, divorce and asset protection, or
- A trust for young children appointing a Trustee to watch over assets until they reach a certain age at which you believe they can properly handle assets. At that appointed age you have determined there is no risk that they could lose assets to divorce, creditors or law suits, or
- A trust created for your children that will potentially provide them security for their entire lives. This trust is tailored to provide divorce, creditor and asset protection for your children through adulthood, or
- A trust created for a special needs beneficiary, or
- A Trust of any other time for any other reason.

Regardless of who the trust is created for, or the purpose of the trust, the beneficiary designations and/or asset titling will have to be modified should you want these assets to pass into the trust(s). Again, absent the necessary change, the assets will pass outside of the trust provisions.

We cannot stress enough that the preparation of Wills and Trusts is not the final step in the planning process. Remember, beneficiary designations and titling of assets need to be coordinated with planning done under your Wills or Trusts. At Unruh, Turner, Burke & Frees, P.C., we strive to make sure that you and your loved ones have the benefit of the best estate plan possible. We hope that the emphasis we place on your completing and filing the change of beneficiary designation forms, as outlined above, serves to demonstrate our continued commitment to you as our clients and friends.

**Don't Miss It -** In our next issue, we will break down how to go about ensuring the proper changes are made to your beneficiary designations. Can't wait? Visit [www.utbf.com/trust-estate](http://www.utbf.com/trust-estate) and search for articles on "beneficiary designations".

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## Life Lessons: The Importance Of Setting Priorities

A professor of philosophy stood silently before his class, waiting for students to take their seats. When they were ready, he wordlessly took an empty mayonnaise jar from his desk and filled it to the top with 2" diameter rocks. When he was done he asked the students whether the jar was full. They replied that, indeed, it was full.

Next the professor took a box of small pebbles and poured them into the jar, shaking the jar so that the pebbles fell into the open areas between the larger rocks. The students smiled. When the professor asked the students again if the jar was full, they agreed that it was. So then the professor poured in a box of sand which naturally filled up all the spaces in the jar between the rocks and the pebbles. He then began to explain the purpose of the exercise.

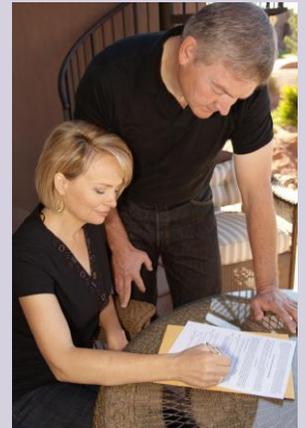
Holding up the jar, he said, "This is your life. The rocks represent all the important things, like family, relationships, your health, whatever is so important that were it lost, you would be devastated, nearly destroyed. The pebbles represent the other things that matter but are important to a lesser extent, like your job, a car or a house. They matter on a smaller scale. The sand represents everything else. Were you to place the sand in the jar first, there would be no room at all for the rocks. It is the same with your life. If you spend all your energy and your time on the small stuff, you won't have room for the things in life that matter".

## Do You Want To Get VIP Treatment For Your Estate Planning?

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Offices of David M. Frees, III & Douglas L. Kaune  
Please call 888-605-6482 and mention you read the  
UTBF SPRING 2013 NEWSLETTER –  
Lisa, Tammy, Donna, or Denise will be happy to assist you.