



THE ESTATE ADVISORY GROUP

Wealth Preservation Strategists

The Discovery Process

Objectives & Philosophy

Introduction

As we have discussed, developing a family wealth preservation plan for larger estates is a team effort, and is much like putting together a jigsaw puzzle - with a few changes. Your initial pieces consist of assets, income sources, documents, etc. The additional pieces we bring include economic strategies and techniques used in concert with your legal and accounting advisors. By combining both sets of these pieces, we form the picture you desire - your objectives and philosophy. These worksheets are an aid to help us define and understand your objectives and philosophy.

By combining both sets of these pieces, we form the picture you desire — your objectives & philosophy.

Concepts to consider:

- a.** There are issues in this type of planning that may be more important to you than financial or tax matters. Let's be sure to focus on them. Your concerns?
- b.** The first principle of estate planning: Protect those who created the estate. You come first!! To protect your needs (with plenty of margin) is our main consideration.
- c.** The up-front capital gains tax imposed upon the sale of appreciated assets can often be totally avoided.
- d.** The estate tax is the largest of all taxes. At \$3 million, the bracket is 55%, and at \$10 million the bracket hits 60% (after 2010). After your financial needs are met, any surplus will go mostly to the IRS. For example: If you have three children, they will each receive 15% ($45\% \div 3$), thus the IRS receives almost 4 times the amount allocated to each child — without advanced planning.
- e.** There are many ways to reduce estate taxes - legally and effectively. By gifting (tax-free) "surplus" assets to your heirs directly (or to a trust/partnership for their benefit) we can significantly reduce the estate tax.
- f.** Many estates are growing faster than normal tax-free gifts (\$11,000 each per year, plus \$1,000,000 lifetime) can reduce them. This often presents a problem. Fortunately, through discounting and leveraging techniques, we can often transfer assets to heirs far more effectively than the standard "one-for-one" methods generally used.



Objectives

(Your plan should have your objectives as its foundation; things that are really important to you. This form is simply a laundry list to assist you in the process. If you feel some of these areas do not apply, just ignore them.)

For Yourself

- a.** How long do you plan to continue working - Full time? Part time? What will you do with your extra time? (How will this affect your cash flow needs?)
- b.** Cash flow requirements (net after-tax) - Now? In the future? When spouse is deceased?
- c.** Any concerns about medical/long term care needs, as you grow older?
- d.** In addition to your business and other successes, what else would you like to accomplish in life? (Does this have any impact on our planning?)

For Your Spouse

- a.** What would you like to provide most for her/him - Now? In the future? When you are deceased?
- b.** Cash flow requirements (net) - Now? In the future? When you are deceased?
- c.** Concerns about medical/long term care needs in the future?
- d.** Other important things to provide?
- e.** Thoughts re: trustees... need... persons... institutions...

notes:

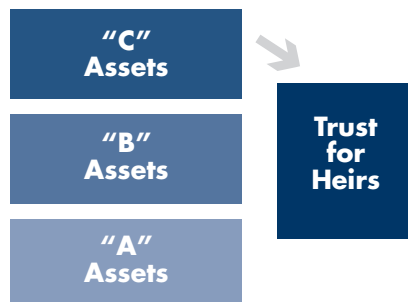


Gifting (To Heirs)

As previously mentioned, the first principle of estate planning is to take care of those who created the estate. Since you (probably) now have more estate than you (and your spouse) will spend during your lifetimes, this has already been accomplished. The concept of gifting “surplus” monies (or assets) to your heirs is the easiest way to reduce estate taxes.

Categories of Assets - Your assets fall into these categories:

- C.** “Surplus” Assets - beyond what you will need in A&B. These will be taxed most heavily in your estate.
- B.** Other items needed for your standard of living, but not income producing. (Home(s), cars, boats, etc.)
- A.** The Base! Amounts needed to provide the desired income for you (and spouse) for your lifetime(s).



- a.** Is the concept of gifting assets acceptable or of interest to you?
- b.** How important is it that you control (investment, distribution) assets gifted to them? (or put in trust for them?)

notes:



For Your Children

- a. What are your primary wishes/concerns re: your children, in an estate planning context?
- b. Are there any special needs - Medical? Other?
- c. How are they doing in terms of financial maturity?
 - education
 - avoiding debt
 - work ethic
 - saving part of what they earn
 - self reliance
 - accepting responsibility for self
 - career focus
 - learning to invest wisely
- d. Who are the children for whom you have concerns, both now and in the future? (Financial situation, special needs, other.)
- e. Many clients feel it helps their heirs to become more self reliant and to build stronger self esteem if gifts are kept (for now) in a trust or family partnership - this can also help the heirs to avoid becoming overly dependent upon these assets instead of feeling personally responsible. How do you feel about this issue?
- f. Do you wish to have built-in “incentives” or co-payments for your children (with them paying some) regarding their education, helping to buy a home, taking over or starting a business, generating an income to them, assisting with charitable contributions/endeavors, etc.?
- g. If you knew you were going to live for a long time, would you make large distributions of excess assets to your children at certain younger ages (e.g. 21,25,30, 35,40, etc.) or would you delay this process? Would your objective be different upon your death(s)?
- h. Is there a certain amount you would like to leave each child?
 - as much as possible?
 - is there a minimum?
 - is there an amount that is too much?
- i. Is it important that they be treated “equally”? Is this the same as “fairly”?

notes:



For Your Grandchildren (now and/or future)

- a.** Interest in helping them re: (items listed above)
- b.** How do you feel about making gifts to them (or in trust) to avoid taxes in your children's estates?
- c.** Any special concerns for anyone?
- d.** Is there a certain amount you would like to leave each grandchild?
 - as much as possible?
 - is there a minimum?
 - is there an amount that is too much?
 - is it important that they be treated "equally?"
- e.** Does the idea of having a perpetual Family Bank Account/Family Wealth Trust appeal to you, as a back up financial resource for your heirs (education, medical needs, housing, loans, business funding, distributions, etc.) that can be set up tax free and can last for 100 to 1000 years or more without having to be estate taxed at each generation? This fund can provide for your children, grandchildren, great grandchildren, etc.

Are There Others Whom You Would Like to Benefit?

- a.** Relatives
- b.** Friends
- c.** Are there people/organizations who have helped you (or others important to you) for whom you have a feeling of wanting to "give something back"?



Specific Assets

- a.** Are there any assets that are important to keep in the family? Any specific heirs?
- b.** Are there assets you wish to retain for your lifetime?
- c.** Are there assets you would like to sell? When?
- d.** Are there assets you are willing to gift to heirs/others, now?
- e.** How do you see your current asset mix changing in the future?

notes:



Your Business (if applicable)

- a. What do you enjoy most/least about your business?
- b. In what ways does your business benefit you the most?
- c. Current key people?
 - How capable are they?
 - What fringe benefits are now provided?
 - Would you like to explore other areas/alternatives?
 - Any formalized plans currently in place to encourage them to stay with you? If you're gone?
 - Will they stay?
- d. Family members - (whom you would like/who would like) to stay involved?
 - Are they really capable?
 - Your plans for them?
- e. Are you willing to start letting go? When?
Under what terms?
- f. What are your future plans for your business?
- g. Final disposition objective: Keep in family?
Pass/sell to insiders? Sell to outsiders?

notes:

Charitable Concepts

- a. All taxpayers are involuntary philanthropists. Why? Because the IRS collects taxes and then Congress selects the charitable-type causes to which many of these tax dollars will be distributed. With some planning, however, you can take control of many of your tax dollars and send them directly to the charity(ies) of your choice rather than to those of the government's choice. Is this of interest to you?
- b. John D. Rockefeller III said that, "charitable giving techniques are the ultimate tax dodge." If we could redirect some of your taxes/assets to the charity(ies) of your choice - without hurting you or your heirs - would these techniques be attractive to you?
- c. Which specific charities have been important or of interest to you and your family? Charities that have served you or your family? Charities you have supported financially? Charities for which you have provided leadership?
- d. If you could change anything in the world, what would you like to change?

**"Charitable giving
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tax dodge."**

—John D. Rockefeller III



Values, Footprints, etc.

- a. Your success has probably come, in part, due to strongly held principles, values, habits, lessons, etc. Which of these are you interested in passing on to your heirs?
- b. Are you doing anything currently that helps you accomplish this objective? Are you interested in additional ideas?
- c. A survey was conducted among elderly people asking what they would change if they could live their life over again. The response indicated that most would like to leave “footprints” or something behind that would leave a memory of them for future generations. Are there any footprints that you would like to leave? (Maybe we can help).

How Do You Feel About Taxes?

- a. OK. Not concerned about them?
- b. Paid (more than) my share - so avoid wherever we can - legally?
- c. If we could eliminate up front capital gains and ultimate estate taxes, and then reallocate these monies to your heirs/charity/others, would this be important to you?

notes:



In Summary

a. How would you like your estate allocated, ideally, after your (and your spouse's) death(s)?

- | | | | |
|------------------|---------|--------------|---------|
| • children? | _____ % | • others? | _____ % |
| • grandchildren? | _____ % | • charities? | _____ % |
| • taxes? | _____ % | | |

b. To summarize your priorities...

(1)	(5)	(9)
(2)	(6)	(10)
(3)	(7)	(11)
(4)	(8)	(12)

c. What would you like this analysis to accomplish for you?

d. How can we be most helpful to you: Now? In the future?

e. When we meet three years from now, at our annual update meeting, what should have happened during that time in order for you to feel very good about our relationship?

notes:

- The planning process is under the direction of the client. Our focus is to assist the client in the identification of his/her objectives and to coordinate with accounting/legal advisors to help develop a plan that will enable the client(s) to reach these objectives.
- We do not practice law or accounting as an entity, nor do our members individually. These functions are performed by the client's other advisors in their traditional areas of expertise.
- The choice of other advisors involved in this planning process and the extent of our involvement with these other advisors is totally dictated by the client.
- While these steps in the Family Wealth Preservation Process describe our normal procedure, these items could change for various reasons in any given case, as dictated by the client(s).
- The effectiveness of Family Wealth Preservation Planning in each case situation is largely determined by the attitude of the client(s) toward the planning process, e.g.:
- The degree of proactive resolve to change/improve their current situation.
- The accuracy of the asset values given, plus the growth rates, cash flow projections, needs etc.
- The availability to meet regularly, so as to maintain a positive momentum.
- A willingness to be open minded re: creative techniques and tools to accomplish objectives.
- An ability to make decisions on a timely basis, in order to bring about positive action.