PHILADELPHIA ESTATE PLANNING COUNCIL

75 YEARS

VOL. XXV, NO. 1 FALL 2015

President's Message

Douglas S. Simon, MD

DIAMOND ANNIVERSARY YEAR

As we begin our 75th year of continuous operation, it is an appropriate time to both look back at where we have been and forward to where we hope to go in the future. Seventy five years is a long time for any enterprise to continually operate, let alone thrive and provide leadership in their field. Today we stand as the largest estate planning council in the country and one of the oldest. Our counterparts in Boston run a close second and lay claim to being the oldest council in the country. We must keep in mind however that these are the very same people who deflated footballs in order to gain an unfair advantage in a playoff game.

Throughout the history of the council our primary mission is to provide high level educational opportunities for our members across multiple disciplines. As the focus and nature of each respective profession evolves, we strive to provide current thinking from leading thinkers and practioners across the country. We have a core belief in an open tent with professionals from multiple fields making up our membership and bringing their expertise to the table. We provide the opportunity to learn from our colleagues in other firms and disciplines. The multiple networking events throughout the year also allow chances to build relationships with other advisors to our clients.

Our multiple educational and networking opportunities would not be possible without the efforts of our many volunteers. While we are fortunate to have an excellent association manager in Denise Downing and her staff, it is the countless hours put in by our members in the committee work that makes the council run so smoothly. Through these committees, our members have the opportunity to work closely with people from other areas and have exchanges of ideas on how to present the latest and best thinking of

continued on page 3

Alternatives to Life Insurance Premium Financing in a Low Interest Rate Environment

Michael Mallick, CLU® and A.J. Femminello, J.D., M.B.A.

The typical Irrevocable Life Insurance Trust (ILIT) is funded with payments made from the grantor to the ILIT that qualify for the annual gift tax exclusion through the use of Crummey powers. This is a foundational component of many estate plans, and for many clients, this way of funding the ILIT meets their needs. However, for some clients, this basic strategy may not be the most efficient way of establishing and funding the ILIT. This article explores several situations in which clients may need more advanced planning than the method described above, as well as three specific techniques that can be used – 1) private financing, 2) premium financing, and 3) dual loan financing.

First, let's assume Mr. and Mrs. Client, both age 65 and with a net worth of $50M, qualify for standard non-smoker underwriting. Mr. Client's insurance need is $10M, and the annual premium for a 9-pay (this premium structure will

continued on page 4

IN THIS ISSUE:

PEPC Officers and Directors 2015 - 2016

Officers

President:
Douglas S. Simon, MD, Deutsche Asset & Wealth Management
douglas.s.simon@db.com
215-854-1550

Vice President:
Huldah A. Robertson, CFP, Glenmede Trust Company, N.A.
huldah.robertson@glenmede.com
215-419-6976

Treasurer:
Richard M. Schwartz, Pepper Hamilton, LLP
schwartzr@pepperlaw.com
215-981-4457

Secretary:
J.R. Burke, CLU, ChFC, CFP, Perspective Financial Group, LLC
jrburke@pfg1976.com
610-854-0035

Immediate Past President:
Rebecca Rosenberger Smolen, Esq., Bala Law Group, LLC
rebecca@balalaw.com
610-624-3391

Directors

Term Expiring in 2016:
Samuel T. Freeman, III, Freeman's
Andrew J. Haas, Esq., Blank Rome LLP
Adam T. Sherman, CFP, CLU, ChFC, MSFS, Firstrust Financial Resources, LLC
Nina B. Stryker, Esq., Obermayer Rebmann Maxwell & Hippel LLP

Term Expiring in 2017:
Eileen Dougherty, CTFA, CFP, AEP, ChFC, Hawthorn
John C. Hook, Esq., Stradley Ronon Stevens & Young, LLP
Philip V. Jodz, Abbot Downing
Michael Paul, JD, LLM, CFP, CLU, RubinGoldman and Associates

Term Expiring in 2018:
Donald P. DiCarlo, JD, LLM (Tax), Wilmington Trust
Glenn A. Henkel, Kulzer & DiPadova, P.A.
Scott Isdaner, Isdaner & Company
Kevin Manning, CFP, Stone Pine Financial Partners

Term Expiring in 2019:
Regan M. Greco, Esq., Goldman Sachs Trust Company
Rachel A. Gross, Esq., Jewish Federation of Greater Philadelphia
Eric Hildenbrand, CFA, Haverford Trust Company
Anthony Weiss, JD, LLM, CPA, Citi Private Bank

Newsletter Co-Editors:

Peggy M. Robus, CPA, MT, Eisner Amper, 215-881-8813
margaret.robus@eisneramper.com
Alan Weissberger, Esq., Hirtle Callaghan, 610-943-4229
aweissberger@hirtlecallaghan.com

Coming Events

Luncheon Programs

The Union League
140 South Broad Street
Philadelphia, PA 19102
www.unionleague.org

11:45 – 12:00 Noon Registration
12:00 – 12:30 Lunch
12:30 – 1:45 Program

Dates:
Wednesday, September 16, 2015
Tuesday, October 20, 2015
Tuesday, November 17, 2015
Tuesday, January 19, 2016
Tuesday, February 16, 2016
Tuesday, March 15, 2016

WELCOME BACK PARTY
Networking Cocktail Reception

Thursday, October 1, 2015
5:00 – 7:30 P.M.
The Racquet Club
215 South 16th Street
Philadelphia, PA 19102

CAREER DEVELOPMENT EVENT

Thursday, November 5, 2015
5:30 – 6:00 P.M. Cocktails
6:00 – 7:30 P.M. Panel Discussion
7:30 – 8:00 P.M. Networking
Union League
140 South Broad Street
Philadelphia, PA 19102

HOLIDAY CELEBRATION

Monday, December 7, 2015
5:30 – 7:30 p.m.
Union Trust
717 Chestnut Street
Philadelphia, PA 19106

Please register at www.philaepc.org.

President's Message continued

each field. I strongly encourage all of our members to get involved in the work of the committees. I have had the privilege of being an active member of the council for the past sixteen years. During this time I have been fortunate to build close relationships with many professionals in our various areas of expertise. Each of these people has allowed me to learn more about my own practice as well as other disciplines and how they interact in significant ways with my clients.

In the coming year we have many exciting learning and networking opportunities. As we look to the future, our newest initiative is the Outreach Committee. This is the creation of our immediate past President, Rebecca Rosenberger Smolen. Andrew Haas and Philip Jodz have taken the leadership of this effort and shaped an excellent agenda for both networking and community education efforts. Using the resources of our membership they have put together a slate of speakers and informational sessions for our inaugural Estate Planning Day Conference to be held on October 24th from 10:00 AM to 4:00 PM at the Pennsylvania Bar Institute in the Wanamaker building. The agenda here is to provide educational resources on the estate planning process to the general public. I strongly encourage all of the membership to get involved in this effort and to support Andrew and Phil. In addition there will be a community day of service during the course of the year. The initial effort this spring had a group of PEPC members volunteering their time on a Saturday to participate in a city wide program cleaning neighborhood parks. We plan to have another day of community service as well in the coming year.

As we look to the future we will focus our efforts on continuing to upgrade our technology capability. As the world moves forward at breakneck speed with newer and ever more innovative ways to communicate, we will strive to keep up and offer our members a first rate interactive experience. This year's budget will reflect an ongoing commitment to this effort in order to engage and educate our membership.

The slate of speakers for our luncheon presentations covers a wide range of relevant topics in multiple areas of estate planning. We open with Bernard Krooks from New York City presenting on Elder Law. Bernie is a well-known and dynamic speaker who consistently receives excellent reviews. As our population and client base ages we all face challenges in our practices to help our clients adjust in many areas of both their financial and personal lives. Due to the holiday schedule, the luncheon will be held on Wednesday, September 16 - our first ever luncheon on a Wednesday.

The schedule continues with Lauren Wolven from Chicago discussing Mixed Family Planning. In this world of increased longevity and many iterations of intergenerational dynamics, planning for families has become ever more complex. Lauren has been well received speaking on this subject at national meetings and comes highly recommended by her home town estate planning council. After this Steve Akers will join us from Dallas, Texas where he works at Bessemer Trust. Steve is always a big draw on the national estate planning speaker circuit and for very good reasons. He will be speaking on Post-Mortem Planning.

This is the beginning of a very exciting anniversary year for the council. Stay tuned for some exciting plans to celebrate our longevity and outstanding health for a seventy five year old organization. My fellow officers and I could not be more excited to be a part of this and appreciate the trust placed in us by the membership to continue our long tradition of providing first rate educational and networking experiences over the course of the year. As always we encourage your participation and company backed sponsorship of our activities. I encourage everyone to get involved and bring your talents and resources to the table.

Alternatives continued

matter later on) indexed universal life policy that meets Mr. Client's needs is $450,000 per year. After consulting with his insurance agent, estate attorney, and accountant, Mr. Client decides that an ILIT should be the owner and beneficiary of the proposed life insurance policy. Mrs. Client has a lifetime income interest in the ILIT after Mr. Client's death, while their two children are the remainder beneficiaries.

Given these facts, it becomes apparent that the traditional ILIT funding structure will not be suitable for Mr. and Mrs. Client. In 2015, the annual exclusion amount is $14,000, and if each spouse splits the gift, that amount effectively increases to $28,000 per recipient. Thus, even if Mr. and Mrs. Client gift the maximum amount to the trust and tie in Crummey withdrawal rights, the maximum amount they could gift tax free to the ILIT, without using either of their $5.43 million lifetime exemption, is $56,000 per year. This falls well short of the $450,000 annual premium for the insurance policy, and given Mr. and Mrs. Client's net worth, they may be better suited preserving the use of their entire unified credit amount until death to reduce their estate tax burden or quite possibly may have already used their entire credit amount through prior gifting techniques.

At this point, Mr. and Mrs. Client should consider alternative funding arrangements in order to minimize their tax burden. The appropriate funding technique depends on several variables, including the nature of their assets, their relationship with lenders, and their risk tolerance, amongst other things. Naturally, these techniques require more complexity than the traditional model, so it is critical that Mr. and Mrs. Client's advisors have a strong knowledge of these techniques in order to make sure they are properly implemented.

First, let's consider private financing. A private financing arrangement involves the grantor lending, rather than gifting, funds to the ILIT. The term of the loan will be 9 years in order to take advantage of the longest possible duration for a mid-term AFR (1.82% as of August 2015) loan. This is why we chose a 9 pay insurance policy in this scenario.

In a private financing arrangement, Mr. Client will loan a lump sum to the ILIT. The ILIT will use a portion of the loan to pay the initial premium on the insurance policy, and the rest will be invested. The specific amount that needs to be lent depends on the anticipated growth rate of those assets. Since 9 years is a relatively short time horizon, a conservative growth rate should be used – probably around 5-6%. However, given the current low interest rate environment, a conservative growth rate still makes this an attractive proposition for Mr. Client, given the hurdle rate is only 1.82%. If structured properly, after 9 years, the ILIT can repay the loan principal from the liquid assets remaining in the ILIT and the life insurance policy may not require any additional premium payments to maintain the policy till maturity.

This structure can be further enhanced if an exit strategy via a grantor retained annuity trust (GRAT) is planned from the beginning. In this variation, Mr. Client transfers the lump sum to the GRAT, rather than the ILIT. The annuity payments made from the GRAT to Mr. Client are loaned to the ILIT, which uses them to pay the annual premiums. The ILIT is named as the remainder beneficiary of the GRAT, and that amount can be used to repay the loan to Mr. Client. This strategy enables Mr. Client to incorporate the tax benefits of a GRAT into this already tax-advantaged structure.

A private financing strategy assumes that Mr. Client has liquid income producing assets with which he is willing to part with for the duration of the loan. If Mr. Client's assets are illiquid (and he is unwilling or unable to liquidate them), then Mr. Client should consider a traditional premium financing arrangement. This structure is similar to private financing with one key difference – a bank, rather than Mr. Client, will be lending the money to the ILIT. Mr. Client's role in this transaction comes in two parts. First, he ideally will be able to leverage a positive business relationship he has with a lending institution in order to secure a favorable interest rate (typically a benchmark like LIBOR plus a spread) for the loan. Second, Mr. Client will pledge those illiquid assets as collateral for the loan on behalf of the ILIT. Otherwise, the structure is the same – the borrowed amount is invested and used to pay the premiums and interest, and the principal can be repaid out of the death benefit.

Mr. Client should consider the risks involved with using a bank, rather than himself, as the lender. If the interest rate on the bank loan is variable, then rising rates would require higher payments to the bank than originally anticipated. A decrease in the value of the collateral pledged could require additional collateral or cause the loan to default. In each of these potential liquidity issues, Mr. Client will have to use his own funds to help the ILIT make the interest payments. In addition, the bank could theoretically call the note early, which again would create a liquidity issue. For these reasons, careful and advanced planning is required in order to properly structure this strategy.

A third structure is known as dual loan financing. It combines features from private and premium financing strategies in order to leverage the strengths of each while mitigating the risks. As a result, it is considerably more complicated than any

continued on page 5

Alternatives continued

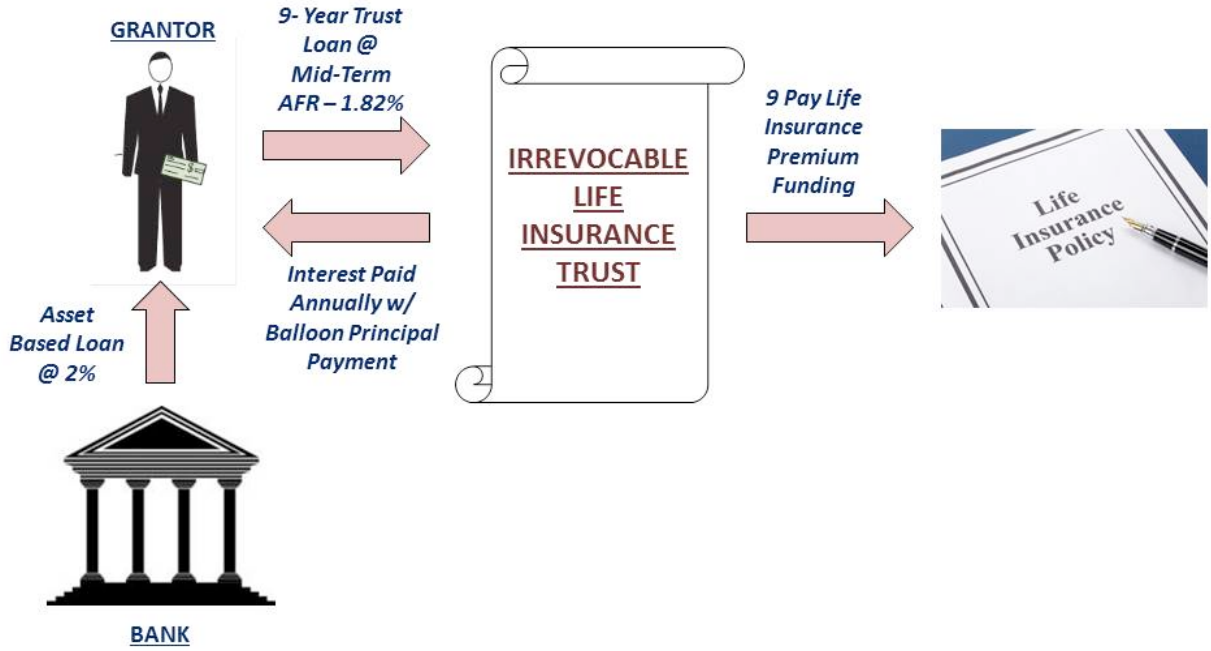
of the strategies that have been discussed earlier, but it can present tremendous advantages to Mr. Client.

As its name implies, a dual loan strategy involves two different loans. The first is the same as in private financing – Mr. Client will lend funds to the ILIT directly. The GRAT exit strategy can also be employed. The second loan is similar to premium financing, except that Mr. Client borrows the funds directly, rather than the ILIT. Mr. Client will still use his illiquid asset as collateral. Thus, the two loans are between the lender and Mr. Client, and between Mr. Client and the ILIT.

The net cost to Mr. Client is the difference between the mid-term AFR and the interest rate negotiated with the lender. The process for determining the amount borrowed is complicated and beyond the scope of this article, but ideally, given an assumed growth rate, Mr. Client should borrow exactly enough from the lender so that the growth within the ILIT is sufficient to pay back interest periodically and the entire principal at the end of the loan. The investment performance of the principal loan balance within the ILIT is another variable component which could require additional funding if performance is less than expected. The net cost to the client is the difference between the amount received from the trust and the amount owed to the lender. Put another way, the spread between the mid-term AFR and the bank rate determines the net cost to the client, which in most cases is substantially lower than the annual life insurance premium commitment.

These alternative premium financing strategies are particularly attractive in our current low interest rate environment because the hurdle rate for the ILIT is historically low, and if Mr. Client has a positive relationship with a lender, that interest rate should not be much higher than the AFR. Thus, the net cost to Mr. Client can be a fraction of what he would otherwise need to pay if he did not employ this strategy.

High net worth clients present particularly challenging situations for estate planners, but these situations are what allow us to be creative, diligent, and provide value to the client. Given the complexity of the financing strategies discussed, implementing them must be a joint effort amongst all of the client's advisors. However, when done correctly and in the right circumstances, these strategies can help the client meet his or her insurance needs in a tax-advantaged way that would not be possible under the traditional ILIT funding model.



Michael Mallick, CLU® is a Principal at Valley Forge Financial Group, specializing in business succession, estate planning, and life insurance consulting.

A.J. Femminello, J.D., M.B.A. is Legal Counsel at Valley Forge Financial Group.

Year End Tax Planning Considerations

Nicholas Jennings, CPA

As the summer months wind down, year-end tax planning will become a hot topic for many client service professionals. Whether it's the closely held business owner or a high net worth individual, income taxes represent a significant outflow for our clients. With top rates of 39.6% on ordinary income, 20% for long term capital gains plus a 3.8% Net Investment Income Tax (NIIT), our tax environment requires us to find favorable opportunities that generate tax savings for clients. If not already addressed on a regular basis, year-end planning is the last chance to evaluate opportunities before the year comes to a close. As conversations begin to shift towards year-end planning, below are a few strategies to consider.

What About Next Year Planning?

Year end planning requires the planner to gather information on the current and at least the next upcoming tax year. Savings can be generated for our clients by leveling out taxable income – accelerating income and deferring deductions from the lower anticipated income years or deferring income and accelerating deductions in high income tax years. Similarly, investment account activity needs to be reviewed to determine if capital gains can be offset by available unrecognized losses in the account.

Tax Payment Planning

Individuals with adjusted gross income in excess of $150,000 have two methods available for managing estimated tax payment obligations: the safe-harbor method and the current year method. Under the safe-harbor method, a taxpayer will avoid underpayment penalties if 110% of the prior year liability is remitted on a quarterly basis. The current year method requires quarterly payments based upon 90% of the current year tax. Taxpayers can use either method for any tax quarter. Educating clients on their payment options will strengthen the client relationship, and set an expectation for income tax obligations coming due. Clear reminders from the consulting professional regarding exposure to underpayment penalties allow clients to evaluate the cost of forgoing estimate planning.

Quarterly estimates for individuals are due on the 15th of April, June, September and January of the subsequent year. On April 15th taxpayer's are required to satisfy 100% of the liability due for the prior year, as well as Q1 of the current year. The combined total tax bill frequently surprises our clients. Often times a shortfall can be mitigated by implementing simple year-end planning techniques. For example, a W-2 employee can address a withholding shortfall by increasing Federal withholdings on the last few pay periods of the year or on a year-end bonus. Federal Form 2210 calculates the penalty for underpayment of estimated taxes for individuals. Annual withholding payments are deemed ratably paid throughout the year, whereas quarterly estimates are credited on the actual date paid. Therefore, increased year end withholding can reduce or eliminate a penalty from missed estimated payments or under withholdings earlier in the year.

Retirement Distribution Planning

Required Minimum Distributions (RMDs) represent the minimum amount an individual must withdraw each year from qualified retirement plans and IRAs, beginning in the year when the individual reaches 70 ½. (Amounts from qualified plans, but not IRAs, can be deferred until the year of retirement, if later, rather than age 70 1/2 for non–owners of the employer sponsor.) The amount required to be distributed is based on IRS generated distribution tables. The date an individual turns 70 ½ is 6 months after their 70th birthday. In the first minimum distribution year, taxpayers have an option to defer the payment on account of that tax year until the first quarter of the subsequent tax year. For example, if a taxpayer has a birthday on or before June 30, 2015, 2015 will be the first RMD year and the RMD on account of the 2015 tax year must be paid no later than April 1, 2016. If a taxpayer elects this one time deferral, 2015 taxable income will not include the minimum distribution amount and 2016 taxable income will include the required minimum distribution amounts for both 2015 and 2016. Depending on the individual's tax situation over the two years, this flexibility can result in lower overall taxes.

Note that the IRS has strict guidelines with regard to RMD payments and if not followed, penalties apply. Generally administrators of the retirement plan calculate the RMD annually, however the taxpayer is ultimately responsible for compliance with IRS requirements. As professional advisors, we should confirm that required distributions have been received.

As many clients defer receipt of their RMDs until late in the year, this is also a good vehicle to use to adjust needed withholdings to reduce estimated tax payment requirements.

Retirement Plan Creation Planning

While retirement plan contributions can generally be made to a qualified plan up to the due date of the taxpayer's return, the qualified plan itself must have been adopted prior to the end of the tax year to permit contributions to be made for that year. Year end planning is the perfect time to review the types of plans available for your client and consider if any changes should be made to the structures currently in place.

continued on page 7

Year End Tax Planning continued

Charitable Planning

In December 2014 the Tax Extenders Package gave individuals age 70 ½ and older the option of making tax-free distributions of up to $100,000 from IRA's for charitable purposes. This is known as a Qualified Charitable Distribution (QCD). Generally the QCD is a nontaxable distribution made directly by the IRA trustee to a specific eligible charitable organization. For QCD purposes, eligible charitable organizations do not include private foundations and donor advised funds. The QCD will also satisfy the taxpayers Required Minimum Distribution in the amount transferred to charity. From an income tax perspective, QCD's are excluded from gross income and are not deductible on Schedule A, so that there would appear to be little benefit to the QCD. However, certain deductions are limited based on a taxpayer's Adjusted Gross Income (AGI) and utilizing the QCD reduces AGI.

This provision has not yet been extended for the 2015 tax year, so advisors may want to advise clients to postpone their RMD from IRAs and some of their charitable gifting commitments until Congress determines whether to extend the QCD rules for 2015.

Annual Gifting

For Federal gift tax purposes, each individual can transfer each year (either cash or property) up to an allowable exclusion amount to as many individuals as they choose without incurring gift tax or using any of his or her lifetime exclusion amount. For 2015, the annual gift exclusion is $14,000 per person, or $28,000 for married taxpayers. Most planners consider annual exclusion gifts the "low-hanging fruit" of estate planning. Since the annual exclusion expires each December 31 if not used, we should encourage our clients not to waste this tax free opportunity to reduce their taxable estates. Implementing an annual gifting program permits taxpayers with large estates to regularly transfer wealth gift tax free. Annual exclusion gifts can be part of sophisticated gifting programs reflected on gift tax returns each year and reducing the taxable gifts made in certain types of trusts. But in other cases, the administration of an annual gifting program can be very minimal. The IRS does not require a gift tax return when total gifts made to individuals are under the annual exclusion amount. Therefore, gift tax returns will not be required in many situations.

Annual exclusion gifts can be useful in creating Section 529 Education accounts for children and/or grandchildren or to help working children establish tax favored Roth IRA accounts. Each year's gifts are manageable and over time, a significant estate can be established for our clients' family members.

Appreciated Stock

The sale of appreciated stock will often lead to increased personal income taxes. For high-income taxpayers, the federal long-term capital gains rate tops out at 23.8% for 2015 (20% Income tax plus 3.8% Net Investment Income Tax). If appropriate year-end planning takes place, your client may find a more efficient use of long-term appreciated stock. For example, using the annual exclusion to gift appreciated stock to a family member may result in the capital gain being taxed at a lower rate and perhaps excluded from the Net Investment Income Tax altogether. Another option is to use appreciated stock rather than cash to satisfy a charitable gift. The taxpayer deducts the fair market value of the stock as a charitable donation, without triggering capital gains tax on the appreciation.

Trust Planning

From an income tax perspective trusts become subject to the highest rates very quickly, which certainly leads to opportunities for year-end tax planning. Trust taxable income, excluding long term capital gains, in excess of $12,300 will be subject to tax at 39.6%. The tax on long term capital gains also rises from 15% to 20% when income exceeds $12,300. Similarly, the additional NIIT at the rate of 3.8% applies to undistributed trust investment income in excess of $12,300.

The key to complex trust distribution planning is identifying opportunities to carry out beneficial tax opportunities to beneficiaries. Trust distributions are governed by the terms of the trust document, but the benefits of distribution planning should be communicated to trustees if a favorable tax opportunity exists.

The marginal rate brackets and NIIT thresholds are more favorable for individual taxpayers. Therefore in cases where a beneficiary is below the top bracket a tax savings may be generated by distributing income from a complex trust. However, this may thwart the non-tax purpose of the trust so the trustee will want to consider both the tax and non-tax considerations before making this decision. Capital gain distributions are a more complex matter requiring review of the trust document and consultation with tax counsel in some cases.

Trustees are given an opportunity to make a distribution post year end and treat it as if made in the prior tax year. If paid within 65 days of year end and properly reflected on a timely filed fiduciary return, distributions made within the first 65 days of the year will be treated as made in the prior year. Because of the potential significant difference in taxes

continued on page 8

Year End Tax Planning continued

to be paid at the trust level versus the beneficiary level, it is important to take advantage of this rule and review the estimated taxable income of the trust during this period.

Finally, if a trust has made estimated tax payments that are not needed for the year by the trust, an election may be made by filing Form 1041-T within 65 days of year end to allocate the estimated payments to trust beneficiaries.

Nicholas Jennings is a certified public accountant at BDO USA, LLP, where he focuses his practice on tax planning and compliance matters for high net worth individual and trust clients and closely held business ventures.

Defusing the Emotional Minefields of Family Wealth Transfer

The Challenge and Promise of Purpose-Driven Planning

Jay Cherney, Ph.D.

Introduction

I've been a member of the PEPC for nearly three years, yet I'm still a bit of an outsider, a minority. From my base of experience as a psychologist, I look at clients through a distinctly different lens from most attorneys and wealth managers. My mission is to more fully integrate the knowledge and expertise of family dynamics into financial advising. This article explains how I see the wealth transfer process. I'll make the case for integrating my kind of skills and perspectives into your work with client families. This new collaboration expands the advisory role and is gaining traction because it deepens our positive impact on client families.

The core of estate planning, as I understand it, is to facilitate wealth preservation down the generations. The technical, legal work you do is the essential bedrock for success with wealth transfer. Yet the powerful forces of family dynamics can turn your best work into chaos. I lived my own heartbreaking family feud, an experience which fuels my passion for this work. For me, it's personal.

My Family Fractures

I grew up in Manhattan in the '50s and '60s with my two older sisters, parents and maternal grandfather. As a teenager around 1900, Grandpa fled Poland where life was bleak for Jews. He arrived in New York with nearly nothing

Defusing continued

but managed to establish a millenary business, which was successful enough to see his family through the great depression.

We lived two buildings down the street from my Aunt Sylvia, her husband and two daughters, almost exactly my sister's ages. We were very close. When I was 8, my grandfather died and the asset distribution in his will was disputed. My aunt and uncle joined forces against my mother, went to court and broke off all communication. I don't know who 'won' the litigation. We suddenly stopped seeing our cousins, which was a truly traumatic loss, especially for my sisters. My aunt and mother never spoke again, except for a chance meeting on the subway decades later, when (according to my mother) Sylvia refused to speak to her.

(In the strangest coincidence in my life, I next saw Aunt Sylvia 12 years later, sitting across from me in class at an international summer school in Oslo, Norway. After I convinced her of my identity by recounting facts only a family member would know, she poured out her story of the life-changing breakup.)

We all know how often families dissolve around the change of generations. The dispute was superficially over my grandfather's money, but material wealth was not the real fuel for the war. I later learned of the competition for Papa's love among the three siblings, greatly intensified by their mother's death when my mother was 13. As the oldest, she was thrust into the mother's role, stoking power struggles and jealousy.

The Hidden Force Field in Families

The traditional approach for wealth transfer is to create a financial architecture that prepares the assets for the next generation. This is clearly a necessary, highly valuable service. Yet what actually causes wealth transfer to fail? The harsh statistic reported by Williams and Pressier in their book, 'Preparing Heirs' is that 90% of wealth fails to transfer to the 3rd generation. The families interviewed by these authors reported that 60% of the failure was due to a lack of communication, 25% was caused by the heirs being unprepared to receive their inheritance, and only 3% could be connected to inadequate financial planning and investing.

Like an invisible force field, the dynamics and emotions of family relationships are present in your office whenever you encounter a family. The death of a patriarch or matriarch is often like stepping on a hidden mine, unleashing buried emotions and conflicting needs. Once these powerful forces surge to the surface, it's often too late to negotiate a resolution. The resentments, competitions, jealousies—

continued on page 9

Defusing continued

universal human emotions—usually get attached to wealth. People can't see that the money itself is not actually what pulls them apart. Rather, it's the powerful personal meanings projected into wealth that triggers intense emotions, and drives people toward 'defeating' family members to get what they deserve. This emotional tunnel vision devastates families. No matter who wins the money, everyone loses family closeness.

So what can estate planners and other financial advisors do to help prevent this common and devastating scenario? The general answer involves facilitating the family in exploring, through conversation, the meaning and purpose of money—well before inheritance happens.

In their excellent book, "The Cycle of the Gift", Hughes, Massenzio and Whitaker recount a story that points out the pivotal importance of preparing inheritors. A high net worth patriarch decided to transfer his wealth to the children and grandchildren while he is still alive, so he can witness and enjoy the positive impact of the wealth. He began sending $20,000 checks through the mail one Christmas season. He was dismayed and deeply hurt when he heard no reaction from any family member. One of the authors was brought in to talk with the recipients to find out their reactions. One described this check as a meteor landing on her kitchen table—a sudden and unsettling intrusion into her family's life. Yes, it could have positive effects, but its abrupt and unannounced arrival was deeply unsettling, opening a host of fateful questions. How would she use this money? What was the intention of the gift and how would its use impact her family and the relationship with her Dad? Not seeing a pathway to begin answering these questions, she did nothing—which also had an impact on the relationship.

The authors suggest that wealth moving down the generations is better seen as a gift instead of a business transfer. This gift happens within a web of life-long relationships. Gifts have intentions, purpose and spirit; they carry wishes for a positive impact on lives in some way. Especially with significant wealth, the potential for changing lives is huge, for better and worse.

So the key ingredient in effective planning for a gift is apparently simple: talk about money and how it might be used. Yet most families avoid meaningful conversations about money, for several reasons.

What's So Tough about Money Conversations

Let's do a brief thought experiment. Imagine you're meeting with a group of colleagues and I suggest you stand up and reveal to them your specific financial worth. For most people, this would be a deeply anxious moment. We guard our financial information quite closely, which shows that money is an incredibly sensitive and intimate part of our lives. It's as if we believe our net worth actually indicates some deep truth about who we are.

Embedded deep in our language and media culture is this money story: net worth equals self-worth. We celebrate the rich and powerful and compare ourselves to those above and below us on the ladder. We wonder what others are 'worth'. When we look closely at the idea that net worth is some valid measure of our self-worth as human beings, of course it's absurd. (Yet don't certain public figures actually Trumpet this idea, proudly?)

Discovering Purpose through Money Stories

While erupting conflict within families is the force that blows people apart, I'm not suggesting that we add family therapy to estate planning. Rather, we can serve families by bringing to the surface one of the most powerful forces in life and relationships: purpose. Talking through and clarifying family members' purpose with money and in life can make the difference between devastation and unity.

Some observers seem to think we can discover purpose and core values with a simple, direct question. When asked 'What's most important to you" the vast majority of people answer, "My family". While we all want our loved ones to be healthy and happy, this immediate answer quickly begs deeper, more complex questions. The next layer of purpose usually involves security, freedom or peace of mind, but these are still general goals which can be constructed in many ways. Exactly how do you want to care for or support the well-being of your family? What elements make a good life, and would every family member agree with your idea? These are profound questions that require systematic inquiry and deep listening to peel back the layers of a value system.

These questions begin to capture a person's 'money story'. Every decision involving money (that's nearly all) is guided by the question, "What's this worth to me"? Money decisions reveal our core values in action.

Our relationship with money starts when we first observe how money impacts our family. Through our ongoing interaction with money we construct our unique blend of beliefs, emotions, core values and purpose. Another illuminating question is about the person's most satisfying or fulfilling experience with money. Pinpointing the greatest good money has accomplished is an x-ray of that person's highest purpose. The more clearly purpose is defined, the

continued on page 10

Defusing continued

more effectively a person can map a course toward a life of fulfillment.

This intimate communication does not guarantee that family bitterness will be soothed and moderated, but it can help. Having the conversation in advance of the actual intergenerational shift of wealth lifts away some of the pressure. These conversations facilitate the potentially explosive decisions about fair vs. equal or distributing family heirlooms to siblings. Simply getting these questions into the open provides a road map that guides estate decisions toward being more closely aligned with the family's true objectives and core purpose.

A Challenge to the Financial Professions

The idea of integrating family dynamics, emotions and purpose into financial planning is not brand new. A small group of advisors and psychologists have been collaborating for a while, mostly with higher net worth families. This practice is growing steadily, but is far from common. Most financial advisors I meet say they understand the need for this additional service because they see the family distress. In some recent surveys by advisory firms, clients pinpoint family dynamics as a prime concern, and where they need additional help. Yet the practicalities of implementing this new focus and set of skills are a complex challenge, in a few ways.

The expertise and viewpoints of a psychologist are distinct from those of attorneys and wealth managers. Dialogue about meaning and purpose is to some extent a foreign language to you. Integrating these distinctly different conversations into established practices takes time, thoughtful planning and can disrupt comfort zones. How do we introduce this process to clients? Who will pay for this new service and how will clients receive it? These are important and valid concerns which need to be negotiated to everyone's satisfaction.

Here's the heart of the matter: the complex needs of families with wealth are beyond any single expert. Financial advisors should consider opening up to innovative practices which elevate all our professions.

Collaboration is always challenging, but the rewards run deep. We all know about the unprecedented trillions of dollars to be inherited in the coming decades. The purpose-driven approach differentiates your firm and is a pathway to connect with the rising generation of clients.

Many families struggle to stay cohesive as they search for ways to use wealth in constructing lives of significance and fulfillment. Guiding a family through the fateful minefields of wealth transfer is deeply satisfying; the positive effects ripple down the generations.

Isn't family our most precious resource?

Jay Cherney, Ph.D.is a psychologist with more than 30 years of experience as a clinician, facilitator, speaker and mediator. He consults with families and their advisors to clarify clients' money story, leading to more satisfying financial decisions. Dr. Cherney earned an M.S. in clinical psychology from Hahnemann University and a Ph.D. in counseling psychology from Temple University.

Why Year End Charitable Giving Matters

Amanda Goldstein

Every year as December 31 approaches we are inundated with end of year giving messages. Commercials implore us to support everything from pet adoption to children's hospitals. Our inboxes explode with requests from any nonprofit organization that has our contact information, all with the same message: Give! Give before time runs out! Don't miss your opportunity for a tax deduction!

At the Free Library of Philadelphia Foundation, a not-for-profit 501(c)3 organization, we support the Free Library's work by raising the private dollars necessary to offset the city and state funding available to Philadelphia's public library system. This robust public private partnership enables the Free Library system to provide critical programs, and resources, which forward our mission to advance literacy, guide learning and inspire curiosity.

Support for charitable institutions rises dramatically in the last month of the year. As the end of the calendar year approaches individuals are motivated by a number of factors ranging from the holiday spirit and savvy marketing campaigns to the desire to capitalize on available tax incentives. Like all charitable institutions, December is an important month for the Free Library of Philadelphia Foundation. Throughout the year we plan to increase the frequency of our appeals towards year end, and for the past two years we have added email solicitation campaigns which have been extremely successful. In December of 2014, the Free Library Foundation received almost 30% of our total gifts for the year. In that single month, the average gift we received was $1,056, and on average our total giving increased 362% as compared to other months that same year. These numbers illustrate the importance of year-end giving to our overall financial health, and the Free Library of Philadelphia Foundation is not unique in this. In short, charitable organizations need December to be big, and we depend on year-end giving to reach our financial goals.

While December holds special importance for those of us in the business of fundraising, from an individual perspective December is the time when our donors, and your clients, are looking to make intelligent year-end decisions that optimize their tax advantages while supporting the organizations they care deeply about.

Individuals often struggle with identifying the best assets to give to charity. While of course donors want to make altruistic gifts to benefit causes that are close to their hearts, they also want to, and should, make sure they are receiving all the tax benefits they are entitled to while doing so. While many of our donors have private financial advisors, many more do not. As a philanthropic advisor, I cannot give out tax or legal advice on behalf of the Library but I can and do encourage donors to consult their own financial advisors whenever possible. If they do not have access to an advisor, I connect them with professionals in the financial services industry who are willing to dispense advice on questions relating to charitable giving. Our role as stewards of these gifts is not only to secure funds to support the Library's mission, but also to ensure that our donors are making informed and educated decisions that work for their personal financial situation.

One strategy that the Free Library has been suggesting our donors consider is gifting highly appreciated securities to the Foundation in order to avoid the capital gains tax. In recent years as the stock market has continued to climb at year end, people are looking increasingly at their stock assets as a viable gift option instead of cash. By transferring securities with unrealized long-term capital gains directly to charity, rather than liquidating and donating cash, donors are able to make the most out of their charitable tax deduction by avoiding the capital gains tax associated with appreciated securities. To qualify, securities must be held long term (over one year) and be transferred directly to the charity. Donors can use highly appreciated securities in a variety of ways to make outright gifts to our unrestricted annual fund, make payments on existing pledges, or to establish Charitable Gift Annuities.

After a thorough assessment in 2012, the Free Library Foundation established an in-house Charitable Gift Annuity (CGA) program similar to many in the area. These gifts allow donors to support the Library's work while still receiving an income during their lifetime. We typically see interest in gift annuities increase towards the end of the year as people are rushing to secure their tax deductions. These gifts are relatively simple for both the organization and the donor to execute so they become a popular choice. Often donors who choose to establish a CGA establish more than one during their lifetime.

Using an Individual Retirement Account (IRA) to donate assets to a charitable organization can also be a wise financial strategy for a donor to employ. Obviously, this giving strategy only makes sense for individuals who are not reliant upon their IRAs for income. Regardless of whether or not this is the case, many donors consider this their safety net and are hesitant to use these assets if they don't understand all of the potential benefits. Unlike individual beneficiaries, charitable organizations are exempt from paying income tax on these

continued on page 12

Charitable Giving continued

gifts, and donors appreciate that 100% of their gift is going to support the organization they choose. While donors do not get an additional tax deduction when gifting assets from an IRA, which can be a difficult concept to understand for people who are used to getting tax deductions for charitable gifts, they do avoid including the gifted amount in their adjusted gross income, which can help them in a variety of ways.

Since 2006, the IRA Charitable Rollover Act has played a major role in charitable gift planning for both individuals and organizations leading up to December 31. The rule enables a donor who is a minimum age of 70 ½ to contribute part of their IRA directly to a charity and forgo taking a qualified minimum distribution. For many IRA holders, this additional income from a qualified minimum distribution is unnecessary and creates an added tax burden since the distribution is taxed as regular income. Unless the IRA is a Roth, the account owner is mandated to take distributions beginning at the age of 70 ½ potentially leaving individuals with a tax burden they would prefer to avoid. With the IRA Charitable Roll Over, the donation can count towards the minimum required distribution income which makes it an attractive planning tool for those who don't rely on their IRAs for income.

In order for a donor to make a rollover, he or she is prohibited from taking the money out of his or her IRA, even briefly. The gift must be sent directly to the charity. In 2014, we lost several gifts because donors heard about the rollover at the end of the year but did not understand the details and after taking their distribution they then tried to forward it to the Library. While of course we can still accept the funds as a gift to support the Library's work, they will not qualify as a rollover and the donor has already incurred a tax liability by taking the distribution. Another issue our donors should understand is that the rollover must be used as an outright gift, not to fund another gift vehicle such as a Donor Advised Fund or a Charitable Gift Annuity. Many donors love the idea of a Donor Advised Fund (DAF) and think of a DAF as a "checkbook for charity." Regrettably a rollover cannot be used to establish a DAF or add to an existing fund. Essentially, the rollover cannot be used for any gift which provides ongoing benefits to the donor.

Unfortunately, the passage of the IRA Charitable Rollover provision is often shrouded in uncertainty and delayed until the final hour. This adds to the confusion surrounding the regulations and restrictions as donors are often rushed at year end to make decisions before December 31 and do not have time to walk through the implications of their giving with an advisor. If and when the provision does pass, charitable organizations are also left scrambling for how to best communicate this giving opportunity to their donor base and many fail to inform their supporters at all.

In 2014 the IRA Charitable Rollover provision was passed on December 19—well into the rush of year end giving—with expiration date of January 1, 2015. By late December, most donors have often already taken their qualified minimum distribution, and those who would be eligible to participate are unable to do so. At the Free Library Foundation, we sent a brief email notification to our donor base but the responses we received were largely from people who would have been interested with more advanced notice and those who were disappointed they could not participate. Currently, we find ourselves in the same position, with no clear answer on whether or not the law will eventually pass for 2015.

On February 12 of this year, the House passed the Americans Give More Act of 2015; to date the Act still requires Senate approval. Among other provisions that affect certain types of charitable giving, the Americans Give More Act would restore and permanently extend the IRA Charitable Rollover. Many coalitions of nonprofit organizations are urging their representatives to seriously consider these measures as an important incentive to charitable giving, one that can have lasting impact on a charity's ability to attract private support. The Free Library Foundation is actively involved in these efforts and we will continue to advocate for a solution that will minimize donor uncertainty and maximize our ability to secure funds for our much-needed services.

In the meantime, we have begun to include articles and information about the IRA Charitable Rollover provision in our publications in an effort to help our donor base become educated about the possibilities associated with using this tool. We want our donors to be informed and to understand that if this law does pass it may provide them with a unique opportunity to support the Library's work through their IRA. With advanced notice, many donors will be able to plan more effectively and delay taking their distributions, if they think redirecting those dollars to their favorite charity would be a better use of those funds.

Advising donors and clients on best practices for charitable giving is drastically different for each individual based on their personal financial situation and their charitable intentions. Building strong relationships with professionals in the legal and financial services industry is an invaluable way for charities to negotiate a changing philanthropic landscape. At the Foundation, our most important job as stewards of our donors' trust is to familiarize ourselves with all of the charitable giving options available to them and pay

continued on page 13

Charitable Giving continued

special attention to those that have specific tax implications, which can affect their overall financial outlook. The Library is not alone in relying on private dollars to accomplish lofty goals. Whether through outright gifts of highly appreciated securities or rollovers, the inclination to make a charitable commitment at year end is one that benefits so many important cultural, educational and healthcare institutions throughout Philadelphia.

Amanda Goldstein is the Assistant Vice President, Campaign, at the Free Library of Philadelphia Foundation. She has over a decade of experience fundraising - focused on securing leadership gifts for large scale fundraising campaigns. At the Free Library of Philadelphia since early 2012 Amanda oversees Major and Planned Giving as well as all aspects of campaign planning. Prior to joining the Library's team Amanda was the Associate Director of Development for the Penn Libraries and has held related positions at the Jewish Federation of Greater Philadelphia, the Anti-Defamation League and the NOW Legal Defense and Education Fund.

Update on the President's Tax Proposals

Blanche Lark Christerson and Jeffrey Sloan, CFP®, ChFC®

On February 2nd, President Obama released his Fiscal Year 2016 Budget. It was soon followed by the Treasury Department's so-called "Green Book" detailing the Budget's revenue proposals. This article will focus on some of those proposals, particularly as they pertain to high-net worth individuals, as well as the likelihood of their enactment and the prospect of tax reform.

Income tax

The Budget has many items that have been seen before, such as limiting the tax benefits of high earners and imposing the "Buffett Rule," or "Fair Share Tax," to ensure that individuals with over $2 million of adjusted gross income pay total tax on that income of at least 30%. (Tax benefits that would be limited include itemized deductions, tax-exempt municipal bond interest, tax-deductible contributions to retirement accounts and employer-provided health care.)

A new proposal dealing with 529 plans was short-lived: it would have taxed the earnings on future contributions to these accounts when account owners made "qualified withdrawals" for items such as college tuition and room

Update continued

and board. (The proposal was floated shortly before the President's State of the Union address in January, and generated immediate bipartisan criticism; although it was promptly withdrawn as a "distraction" from Mr. Obama's other proposals, it was too late to delete it from the Green Book, which was already at the printer.)

The Budget also has a new proposal to "reform" the taxation of capital income, in part by increasing the top rate for most long-term capital gains and qualified dividends from 20% to 28%. The Green Book explains that since the proposed 28% rate already includes the 3.8% tax on net investment income, the proposed increase is really just 4.2% (from 20% to 24.2%, which the 3.8% tax brings to 28%). The other part of this proposal would generally make a gift of appreciated property – either during life or at death – a taxable event. This would be a significant change and is discussed below.

Retirement accounts

As with much on the income tax front, the Budget has many familiar proposals dealing with retirement accounts, including:

- Cap the aggregate amount taxpayers could accumulate in various retirement accounts to about $3.4 million (enough to support an annual annuity of $210,000 for a hypothetical 62 year-old with a 62 year-old spouse).
- Require a 5-year payout for most non-spouse beneficiaries of "inherited IRAs" and other retirement plans (farewell to "stretch IRAs" payable over, say, a child's life expectancy).
- "Simplify" the required minimum distribution (RMD) rules – meaning, in part, that owners of Roth IRAs would be required to start taking RMDs at age 70½, something they are not currently required to do.

A new provision would effectively prevent "back door" contributions to Roth IRAs by taxpayers who otherwise make "too much" to directly contribute to a Roth. The proposal would only allow a taxpayer to convert a traditional IRA to a Roth IRA to the extent the converted amount would be included in the taxpayer's income. In other words, this would bar a taxpayer from making an after-tax (or non-deductible) contribution to a traditional IRA, and then converting that after-tax amount to a Roth IRA. A similar rule would apply to amounts held in "eligible retirement accounts" (presumably, accounts such as 401(k)s).

Transfer taxes

As with the areas mentioned above, the Budget has many familiar proposals (and some refinements) dealing with transfer taxes – namely, estate and gift taxes and generation-

continued on page 14

Update continued

skipping transfer tax (GST). These include the following:

- Limit the duration of the GST exemption to 90 years (after that period, transfers would again be subject to GST).
- Restore the transfer tax parameters that were in effect in 2009: $3.5 million estate tax exclusion and GST exemption, $1 million gift tax exclusion and 45% top rate. (This would take effect in 2016, rather than 2018, as previously proposed.)
- Eliminate sales to "defective" grantor trusts by mandating ongoing gift and estate tax consequences for transactions between the grantor and the trust that are ignored for income tax purposes. (The transactions are ignored because the grantor "owns" the trust for income tax purposes, and is therefore treated as dealing directly with himself; the grantor does not, however, "own" the trust for estate tax purposes.)
- Limit the effectiveness of GRATs (grantor retained annuity trusts). As set forth in prior GRAT proposals, the trust would need to last for at least 10 years or no more than the grantor's life expectancy plus ten years, and could not have a declining annuity. This year's proposal provides new detail about how "zeroed-out" GRATs would be eliminated: at the GRAT's inception, the present value of the "remainder interest" (what eventually passes to children) would have to equal the greater of 25% of the property contributed to the GRAT or $500,000 (but not more than the value of the assets contributed); in addition, the grantor could no longer swap out assets in the trust, thereby preventing the grantor from taking back low-basis property in exchange for high-basis property.

Comment. The Sale and GRAT proposals are proof of just how effective these techniques have been at passing potential appreciation gift-tax efficiently to heirs.

The Budget clarifies last year's proposal to "simplify" annual exclusion gifts, which currently allow a donor to give away $14,000 per year to as many people as she wishes ($28,000 if the donor's spouse agrees) without eroding any of the donor's $5.43 million applicable exclusion amount. The proposal eliminates the "present interest" requirement for annual exclusion gifts and creates a new category of transfers that would allow the donor to give away up to $50,000 gift-tax free. (The "present interest" requirement means, for example, that when the donor makes a gift in trust, the beneficiary must have a limited opportunity – say, for 30 days – to withdraw the gift; this withdrawal right is known as a "Crummey power," and has been on the IRS's "hit list" for some time.) The current Budget makes clear that this new category is a further limitation on annual exclusion gifts: if the donor were to give away more than $50,000 in this category – apparently the only avenue for annual exclusion gifts – the gift would erode the donor's $5.43 million exclusion, even if total gifts to each donee didn't exceed $14,000. (This $50,000 number would be indexed for inflation after 2016.)

The Budget's most eye-popping proposal affecting donors and decedents, however, deals with transfers of appreciated property, the second part of the proposal to "reform" the taxation of capital income, mentioned above. Whether the transfer is by lifetime gift or an inheritance at death, it would be treated as a taxable event, subject to certain exceptions. For instance, transfers of appreciated property to charity would not trigger income tax, nor would spousal transfers until the spouse disposed of the property, or transferred it at death. Gain on tangible personal property (other than "collectibles") would be exempt, as would gain on certain small business stock; individuals could shelter $100,000 worth of gain from tax (indexed for inflation after 2016), with an additional $250,000 for principal residences (married couples could shelter twice these amounts). Income tax would be payable by the donor, or the decedent on the decedent's final income tax return or a special capital gains tax return; the capital gains tax on transfers at death would be deductible on the decedent's estate tax return "(if any)." In other words, death would be a "taxable event," with property potentially subject to both income AND estate tax at the owner's death.

This proposal is A Very Big Deal and would be a radical departure from long-standing rules. That is, under current law, lifetime gifts of appreciated property pass along the donor's built-in gain, so that if the donee eventually sells the property, he will pay the same capital gains tax the donor would have paid; yet if a donor dies with appreciated property, her built-in gains disappear, thanks to the so-called "basis step-up" rules, which generally use a date-of-death value as the property's new basis. Built-in capital gains on a decedent's appreciated property are therefore never subject to income tax, although as noted above, those gains – and the underlying property – may be subject to estate tax: in 2015, this tax applies if the decedent's taxable estate (plus adjusted taxable gifts) exceeds $5.43 million (note that state estate tax might apply at a much lower threshold).

For individuals who are no longer subject to federal estate tax because of this $5.43 million exclusion (it keeps increasing because of annual inflation-indexing), the proposal could be a very unhappy surprise: the gain exclusions of only $100,000, plus $250,000 for a primary residence, may not offer a lot of cover, particularly for assets that have been held a long time,

continued on page 15

Update continued

such as the home deceased Mom and Dad lived in for the past 40 years. This new "death tax" presumably would catch far more people than the current estate tax – yet Republican antipathy to any such tax makes this proposal a complete non-starter, at least for the time being.

Prognosis

Given that Republicans now control both houses of Congress and have repeatedly expressed their desire to lower taxes rather than raise them, what is the likelihood of these proposals being enacted in the 114th Congress? Virtually nil. So what, then, is the point of these proposals, which have already received a frigid reception from Republicans? Presumably, they help set the stage for the 2016 Presidential and Congressional elections, and offer a potential blueprint for possible tax law changes should Democrats retain the White House and retake control of the House and the Senate.

Yet what of tax reform, which both Republicans and Democrats say they are pursuing? An overhaul of our tax laws would require bipartisan cooperation and overcoming the significant philosophical divide between the two parties: Republicans would like tax-neutral reform – meaning lower rates in exchange for fewer tax breaks and a broader base, while Democrats would like reform that benefits lower- and middle-income taxpayers, and raises taxes on the top 1% to 2% of taxpayers. Barring a major shift in thinking on both sides, it is difficult to imagine bridging this gap – at least prior to the 2016 elections. And considering that these elections will soon begin to consume Congress, it is even harder to imagine significant tax legislation between now and then. Still, much groundwork has been laid for tax reform, from the Discussion Draft for Tax Reform issued last year by now-retired Rep. Dave Camp (R-MI), former Chairman of the House Ways and Means Committee, to various hearings that the Senate Finance Committee has held over the past several years. What has been lacking, however, is the political will to accomplish reform.

Put all of this together and what does it mean? Probably that Mr. Obama's most recent proposals will remain exactly that: proposals...and that tax reform, assuming it happens, will have to wait until sometime after the 2016 elections, when there will be a new cast of characters in the White House and Congress.

Ms. Christerson is a Managing Director with Deutsche Asset & Wealth Management, in New York City; Mr. Sloan is a Vice President with the firm, and works in Philadelphia, where he is also a member of the Philadelphia Estate Planning Council. The opinions and analyses expressed herein are those of the authors and do not necessarily reflect those of Deutsche Bank AG or any affiliate thereof (collectively, the "Bank").

NAEPC News

In less than 3 months, NAEPC will be hosting the 52nd NAEPC & NAEPC Education Foundation Annual Conference. This year the conference will be held at the Omni Amelia Island Plantation Resort in Amelia Island, Florida. The conference begins with Council Leadership Day on Wednesday 11/18/15 followed by 2 full days of multi-disciplinary technical education. As a member of this council you are welcome to attend. Should you choose to attend you will see nationally known presenters, you will network with estate planners from around the country and there will be up to 15 hours of continuing education credit (* individual states determine the total credit awarded for the program.) If you hold the Accredited Estate Planner® designation, there will be a special session for you on Thursday afternoon. For more information go to www.naepc.org/conference

The NAEPC Robert Alexander Memorial Webinar Series continues to grow in popularity. The next session is on Wednesday 9/9/15, 3:00 to 4:00 PM ET Financial Reform: Impact on Your Merchant Account. This event is free of charge. Additional dates, times, fees and topics can be viewed on line at www.naepc.org Archives of past programs are available and cover topics as diverse as digital asset planning, decanting and basis planning.

The most current edition of the NAEPC Journal of Estate & Tax Planning is also available on the NAEPC website. Current articles from authors such as Joan M. Burda, JD, Steve Akers, JD, AEP®(Distinguished) and S. Stacey Eastland, JD, AEP®(Distinguished) are available along with a list of conferences around the country that may be of interest to you. The Journal is an excellent source of technical information and is another free benefit of our council's membership in NAEPC.

As always, if you have any interest in the AEP® Designation, please contact Eileen Dougherty or Susan Austin-Carney, JD, the AEP® Designation Director at the NAEPC National Office at (866) 226-2224.

2015 MORDY Award Recipient

The Board of Directors is pleased to announce that the recipient of the 2015 Mordecai Gerson Meritorious Service Award is Walter H. Van Buren. The award was presented at the May 7, 2015 Annual Meeting at the Philadelphia Museum of Art.

This award is presented to a Council member with a minimum of five years of membership who has rendered extraordinary service to further the work of the Council. Some of the past recipients in addition to Mordy Gerson are Sam Freeman, III, Eileen Dougherty, Mary LeFever, Huldah Robertson and Bill Thompson.

Walter has been involved in the insurance industry for more than 40 years. In 1971, he co-founded Buckman Van Buren, a firm providing Property & Casualty and Employee Benefit Services to small-to-midsize businesses. Over the ensuing years, Walt led this firm in developing the expertise necessary to help corporate clients with Succession Planning and retention of Key Executives.

In 1997, under Walt's leadership the firm merged with Posse Walsh and became Posse Walsh Buckman Van Buren (PWBVB), becoming one of the largest regional insurance and benefits consulting firms in the Philadelphia area. In 1999, CBIZ purchased PWBVB.

Past President Mark Eskin presents 2015 Mordecai Gerson Meritorious Services Award to Walter Van Buren

Walt has taken on an array of leadership positions in many industry, community and charitable activities. He has served as a Board Member and held various committee chair positions with the Philadelphia Estate Planning Council. He has also served as a Board and Executive Committee Member of the Pennypack Ecological Restoration Trust, the 10th largest community land trust in Pennsylvania; and a member of the Association for Advanced Life Underwriting.

Living Life with Social Media - The Perks and the Pitfalls

Presented by the PEPC Women's Initiative Committee

Join us at The Union League for a powerful presentation:

Thursday, November 5, 2015 - 5:30pm - 8:00pm

Much like life, social media changes every day. Keeping up with it can be challenging. It's particularly true in regulated industries where there is a fine line between what can and what cannot be said.

Cassandra Bailey, CEO of Slice Communications, will help you quell your fears and provide you with an operative plan using social media to strategically grow your business. Cassandra and a panel of social media experts for financial advisors, law firms, and accountants will share:

- Common concerns and fears about social media
- Regulations that are important to understand before you get started
- Facts about the people that use the many social media platforms today
- Reconciling your personal and professional presence on social media
- Questions to ask to start using social media to grow your business
- How to get started in 10 minutes a day in 10 days

A robust conversation with the panel will showcase best practices, lessons learned, potential pitfalls, and emerging trends. Most importantly, there will be time to answer all your pressing questions.

WELCOME BACK PARTY

Thursday, October 1, 2015

5:00 – 7:30 p.m.

The Racquet Club

215 South 16th Street

Philadelphia, PA

The Philadelphia Estate Planning Council Thanks Our Platinum Sponsors

ANDERSEN TAX

CITRINCOOPERMAN®
FOCUS ON WHAT COUNTS

PENNSYLVANIA TRUST

HAVERFORD
QUALITY INVESTING

THE HAVERFORD TRUST COMPANY

2015 Annual Meeting/Seminar/Reception

The 2015 Annual Meeting was held on May 7th at the Philadelphia Museum of Art. Michael Bourland and Christopher Hoyt spoke on "Estate Planning for Business Owners – Maximizing the Value of the Business to Benefit Both Family and Charity"

Erin McQuiggan and Treasurer Huldah Robertson

Michael Bourland, Gail Harrity, Susan West and Christopher Hoyt

President Rebecca Rosenberger Smolen passes the gavel to Vice President Doug Simon

Past President Andrew Wilusz, Bill Pembroke, David Peer and Past President Scott Small

Robert Miller and Past President Cliff Schlesinger

Immediate Past President Kathleen Kinne, Jeffrey Haskell and Mary Ann Stover

continued on page 19

Annual Meeting continued

Stan Broadbent, Director John Hook, Bill Haines

Howard Silverman, Bruce Rosenfield and Past Presidents Dave Watson and Al Gibbons with Hobie Porter

2015 Annual Meeting Sponsors

THANKS
TO OUR SPONSORS:

1919 Investment Counsel

Bala Law Group, LLC

Briggs Auction, Inc.

Brinker Capital

Capital One Wealth and Asset Management

The Catholic Foundation of Greater Philadelphia

Christie's

Cozen O'Connor

Deutsche Asset & Wealth Management

EisnerAmper LLP

Firstrust Financial Resources, LLC

Foundation Source

Intervention Associates

Isdaner & Company LLC

Kamelot Auction House

Karr Barth Associates, Inc.

Perspective Financial Group, LLC

The Philadelphia Foundation

Philadelphia Museum of Art

Prudential Annuities

continued on page 20

Annual Meeting continued

2015-16 Board of Directors

2014-15 Board of Directors

2015-16 Officers

2014-15 Officers

Sign Up for a PEPC Committee

The Philadelphia Estate Planning Council offers many opportunities for member involvement. One of the most rewarding ways to get involved is through our many committees.

The committees encompass all activities of the council including planning our social events, publishing our highly informative newsletter, enhancing our website and developing our education programs.

All members are encouraged to actively participate on a committee. Committee participation provides the opportunity to expand your professional relationships and increase your leadership skills.

To sign up, please contact the PEPC Office at staff@philaepc.org.

Estate Planning Day Conference

Saturday, October 24, 2015
10:00AM - 04:00PM

Pennsylvania Bar Institute - Conference Center
The Wanamaker Building, 100 Penn Square East - Ste 1010, Philadelphia, PA 19107

The Philadelphia Estate Planning Council cordially invites you to attend its inaugural Estate Planning Day event. Our goal for the event is to provide members of the local community with an overview of key estate planning issues as well as the opportunity to ask questions of local professionals about estate planning related matters. A broad spectrum of estate planning related issues will be covered, in order to provide something for everyone - from folks who have never started the process of estate planning (i.e., never had a will prepared) to those who have already implemented several estate plans. The event will feature four hours of educational sessions, conducted by local knowledgeable and experienced professionals who are members of the Philadelphia Estate Planning Council. There will also be an opportunity for private consultations with such Council members.

We hope you will join us to learn about basic and cutting edge issues and planning techniques to help optimally address matters that are important for you, your family and your intended beneficiaries. Anyone who is concerned about themselves, or loved ones, getting their personal and financial affairs in as good an order as possible for death or incapacity can gather essential information at this program.

There will be no solicitation of business at this event.

AGENDA

10:00 a.m. – 10:15 a.m. Registration

10:15 a.m. – 10:30 a.m. Welcome Remarks

10:40 a.m. – 11:30 a.m. Session 1 (select one topic)

- Estate Planning 101
- Psychology of Intergenerational Wealth
- Charitable Planning

11:40 a.m. – 12:30 p.m. Session 2 (select one topic)

- Advanced Estate Planning
- Life, Disability & Long Term Care Insurance
- Estate Planning for Blended Families

12:30 p.m. – 1:00 p.m. Lunch

1:00 p.m. – 1:50 p.m. Session 3 (select one topic)

- Basic Income Tax Planning/1040s
- Business Succession Planning
- Long Term Care Planning

2:00 p.m. – 2:50 p.m. Session 4 (select one topic)

- College & Retirement Investment Planning
- Estate & Trust Administration
- Planning for Special Needs Beneficiaries

3:00 p.m. – 4:00 p.m. Optional Private Consultations

2015 Golf & Tennis Outing

The PEPC Annual Golf & Tennis Outing was held on June 10, 2015. The golf outing was at Sunnybrook Golf Club and the tennis outing was at the Philadelphia Cricket Club.

Event Sponsors:

Branca Rampart Agency, Inc.
John Hancock
PURE Insurance
Wilmington Trust Company

Hole Sponsors:

Deutsche Asset & Wealth Management
Fidelity Charitable
Firstrust Financial Resources, LLC
Highland Capital Brokerage
Karr Barth Associates, Inc.
MDG LLC
Morris J. Cohen & Co., P.C.
Nationwide Financial
Neff & Downing Management Services
Perspective Financial Group, LLC
Philadelphia Financial
Royer Cooper Cohen Braunfeld LLC
Shectman Marks Devor PC
Stradley Ronon Stevens & Young, LLP
The Zeplowitz Group
U.S. Trust
White and Williams LLP

Tennis Sponsors:

Brown Brothers Harriman & Co.
Harvest Advisers LLC

Golfers getting ready to tee off

Julie Kelly and Sheila Gorman

David Eskin and Joel Schwartz

Michael McBree, Chris Dumont, Tom Forrest and Benjamin Ledyard

continued on page 23

2015 Golf & Tennis Outing continued

The grill at lunch

James Decrescente, Frank Branca Sr, Frank Rock and Frank Branca Jr.

2015 Tennis Outing Participants

Welcome New Members

Sonya Aronowitz	Bryn Mawr College
Jacklynn Barras	BNY Mellon Wealth Management
Dayna R. Benn	Benn Law, LLC
Benjamin Bolas	Dilworth Paxson LLP
Brittany J. Camp	Heckscher Teillon Terrill & Sager
Alexandra M. Collyer	Johnson, Kendall, & Johnson
C. Greg Crothers	First Financial Group
William F. Davis, CFP	Apex Financial Advisors, Inc.
Michael W. Donahue, CPA, CFP, MST	Drucker & Scaccetti, PC
Jeffrey P. Dowds	Glenmede Trust Company
Keith D. Ehinger	JKJ Financial Services
Scott J. Finger, Esq.	Hofstein Weiner & Meyer, P.C.
Amanda M. Goldstein	Free Library of Philadelphia Foundation
Scott M. Lillis	Bessemer Trust
Nastassja Markham	Drucker & Scaccetti, PC
Patricia McCabe, CFP, CASL, ChFC, CLU	MetLife/Firstrust
John Mesko, Jr., Esq.	Drucker & Scaccetti, PC
Dean A. Mioli	SEI Investments
Christopher D. Morello	myCIO Wealth Partners LLC
Cathy Neifeld	AgencyONE Insurance Markting Group
Donesha Peak	Temple University
Robert B. Radich	PLAN of Pennsylvania
Peter Reitmeyer	Manning & Napier
Ann Marie Reyher	Ernst & Young, LLP
Brian A. Sullivan	Wealth Advisory Group, Inc.
Lise Twiford, MBA, CFRE	The American College
Jeffrey R. Wiedmann	Merrill Lynch
Lee Woolley	BNY Mellon Wealth Management

Mark Your Calendar

2015-2016 Luncheon Programs – 11:45 – 1:45 p.m.
All luncheon programs are held at The Union League,
140 South Broad Street, Philadelphia.
Register at www.philaepc.org

Wednesday, September 16, 2015
Topic: Planning for an Aging Population - Your Clients, Your Parents, and Someday You!
Speaker: Bernard A. Krooks, JD, CPA, LLM (Tax), CELA, AEP
Littman Krooks, LLP
White Plains, NY
Sponsor: Value Management Inc.

Tuesday, October 20, 2015
Topic: The New Normal: Planning for the 'Modern Family'
Speaker: Lauren J. Wolven
Levenfeld Pearlstein, LLC
Chicago, IL
Sponsor: Marcum LLP

Tuesday, November 17, 2015
Topic: TBD
Speaker: Steve R. Akers
Bessemer Trust
Dallas, TX
Sponsor: Bessemer Trust

Tuesday, January 19, 2016
Topic: Leaders Metrics Ethos
Speaker: Don Trone
3Ethos
Mystic, CT
Sponsor: BAIRD

Tuesday, February 16, 2016
Topic: Annuities & Insurance
Speaker: Michael Amoia, JD, LLM (Tax), CFP, CLU, ChFC
Crump Life Insurance Services
Bethesda, MD
Sponsor: TBD

Tuesday, March 15, 2016
Topic: Defining Fiduciary Excellence: From Trust Law to ERISA
Speaker: Paul J. Brahim, CFP®, AIFA®
BPU Investment Management, Inc.
Pittsburgh, PA
Sponsor: The Law Offices of Peter L. Klenk & Associates