

OLD MISSION



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trust administration
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OLD MISSION

Spring, 2017



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The 'steam tunnels' at the former State Hospital in Traverse City. Formed in 1895, the TC State Hospital was eventually shut down and has since been remodeled into a series of shops, restaurants, and other venues.



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Rough Seas, *and* Better Sailors.

With markets at all-time highs, it's no wonder that people are asking 'what to do now?'

Specifically, I remember when the Dow Jones Industrials Average hit 3,300 for the first time. I sat glued to my Quotron screen as the green characters glowed on the black background of the computer monitor. Color quote monitors weren't yet available. The advisor next to me said, 'Wow, can you believe it?'

Here we sit. The Dow crested 20,000 for the first time in history. I'll ask, 'Wow can you believe it?' It doesn't come as much of a shock to us, in light of the earnings and profitability that many companies have enjoyed during this bull market run. But it does come with a tone of caution, not in terms of required action on your part or our part, but out of a lesson-learned even through our own experience as advisors.

We hold our clients' hands. Quite a bit, actually. It doesn't matter if it's through the loss of a spouse, through the estate and trust planning process, the navigation of an anticipated retirement, the need for income, or through the inevitable drawdowns and pullbacks that are suffered by the markets.

In looking back through *our* careers as personal financial advisors do we have any regrets? Sure. We would have preferred to invest client funds without the potential for loss, and with such precision that 10% returns were almost assured each and every

year. But in reality, this is totally impossible. Risk of loss is a reality and almost assured through any investment that we make. Again, what are our regrets?

There are times when clients call asking for advice - 'Should we get out of the markets?' they would ask. The answers that we provide as advisors aren't always what you want to hear. We feel confident that getting out of the market - really any market - is a bad idea. We've listened to the reams of research, seen the devastating impact and altered trajectories of retirement balances once people make terribly bad timing decisions. We regret as advisors, when we don't push harder to keep clients invested when they've made it clear that they want to step aside until the rough spot has passed.

I've been a sailor on the Great Lakes for almost 20 years. I've seen plenty of squalls, storms, and the beauty of the Great Lakes in all her glory, morning, noon and night - storms, squalls, and other freaks of mother nature. I've also competed in 14 Chicago to Mackinac races serving as both captain and crew. It's been a great experience. The funny thing about sailboat racing on Lake Michigan is that it is *very much* like investing in the markets. Sailboats can't get out of the way of an approaching storm. You can't plainly 'pick up' your boat and move it to a safe harborage at a moment's notice. But you can ride out the storm by making the necessary preparations, both mentally and on-deck to deal with what will temporarily pass. We've learned that you don't have to run from a storm in order to survive, but most importantly, you don't *stop* sailing. With any storm, you eventually emerge out the other side. As it's been said in sailing, 'Calm seas don't make you a better sailor.' This, much like bumpy markets, is very true.

In rough seas it's reasonable to expect that heading to shore is the right decision. After all, just beyond the water's edge is safety. No waves, no rocks, just solid ground on which you can place both feet squarely on the sandy beach. However, for a skipper and her crew, the shore is the most dangerous during a storm. It's no wonder why shipwrecks litter the coast of the Great Lakes in huge numbers, when the safest place is actually 'at sea' rather than approaching the supposed safety of the shore during stormy periods. Sailboats, and most boats for that matter, are designed to take care of their occupants. They can suffer through huge waves and significant amounts of wind, and *still* they maintain the safety of their crews through their design and stability. Vessels cannot, however, take massive hits to their hull and appendages by the sharp edges of the shoreline's rocks and other hazards bringing an ugly end to the life of a boat and more seriously, her crew.

What's the point of this? Making an obvious choice is not the *best* choice. The right choice is to 'remain at sea,' and remain invested. Let storms pass. Quite frankly, *expect* market storms and turmoil and have a mental plan of action when things don't necessarily go as planned. Above all don't make the choice of seeking safe shelter when the obvious safety of selling stocks can have perilous consequences on the long-term potential of your portfolio.

Avoid emotional biases, remain patient and stick to the plan. Above all, expect the occasional storms. They happen, too.



Christopher M. Lamb, CIMA, CTEA
Managing Partner and Principal



Image: Lake Michigan, Frankfort pier, Frankfort Michigan.

A FINE GALLA

We would like to introduce you to Pam Galla, our new client service specialist and administrator. Pam joins Old Mission Investment and Trust from a local legal firm, and we are happy to have her. She knows how to dot I's and cross T's like it's nobody's business, not to mention the fact that she can explain how a jet engine works.

Meet Pam Galla. She is joining Old Mission Investment and Trust as a Client Services Specialist. Pam comes from a legal administrative background, successfully serving a private law firm in the Traverse City area for the past 24 years.

Pam understands the need for both form and function. She has had experience in handling the complex organizational matters involving trust and estate administration, and is very familiar with the processes involved. The investment management area will be new to Pam, but rest assured she's a quick study and will be up to speed in very little time.

There are certainly a number of facets to our firm, including internal operations, trading, advisory functions, bookkeeping and administration. Not unlike a legal organization, we are tasked with prudently managing, maintaining, and organizing personal financial and estate matters for individual clients and their families. We need to be able to pay bills and expenses for our trusts on a timely basis, prepare and reconcile trust accountings for beneficiaries, and essentially serve as the 'back office' for tax, investment, and legal and estate planning documents for our clients. As you can imagine, we maintain a significant number of online and electronic filing systems and Pam will keep those records in motion, up to date, and filed accurately across all platforms.

Pam also comes with an interesting background as a Veteran, spending 4 years in the United States Air Force. She served our

country as a jet engine mechanic and was originally stationed at Langley Air Force Base in Virginia. To us jet engines are as close to rocket science as one can get.

Pam is has been married to her husband, David, for the past 33 years. David works for Munson Hospital in Munson's information and technology department. David and Pam have 3 adult children and also have 4 grandchildren. Apart from jet engine repair and computers, she and Dave appreciate time on their pontoon boat, paddling their kayaks, are avid golfers, and love to strap on ice skates and snowshoes when the seasons permit. Scrapbooking, cooking and spending time with their family rounds out Pam's time.

Pam will most likely be the first person you see when you come to the office, or will be the first person you talk to when you pick up the phone. We were told by her former employer who was phasing into retirement that it would be a 'missed opportunity' if we didn't offer her a position at our firm. After meeting Pam, we agreed. Her organizational talent and attention to detail will dovetail very well with our firm, and we can't wait to put her talents to good use as we continue to add structure to the operations of our firm.

Please join us in welcoming Pam to Old Mission Investment and Trust. OM

Image: Photo by John Robert Williams, Traverse City, Michigan.



MARKET VALUATION

How do you value the market? Is it based on its level alone, or is there an appropriate way to measure whether the markets are high, low, or somewhere in between?

We'll give you a hint... it has to do with profits and earnings, and nothing to do with the market's number quoted in the newspaper.

The market traded at an all-time high during the past quarter. For what it's worth, it's been trading at all time highs for the past few years, but only in January of 2017 did it cross another milestone - 20,000 - for the first time. What's in a number? Is the number important, and how did it get there?

The valuation of the market is tricky. Indexes are comprised of a variety of different components, and each component carries a different weighting. That said, it's not always easy to determine an appropriate level of the market, let alone whether it should be regarded as appropriately valued, undervalued, or overvalued.

Markets trade based on forward expectations. The *expectation* of future earnings and the growth of those earnings is the largest contributor to future stock prices. As future conditions for earnings and profits improve, the markets should react favorably. As conditions for future growth deteriorate, the market will react negatively. Largely though, it's all based on the profit formula, or earnings, of each company collectively and appropriately 'weighted' within each index.

Price to earnings ratios, known as 'P/E ratios' are a way to gauge the price of the market (which is the 'P') relative to the earnings (which is the 'E') of the market. A market with a P/E ratio of 15 is said to be trading at 'fifteen times earnings.' The math supporting this relationship is simply calculated by taking the average weighted profits of the market, multiplied by the P/E ratio and you will have the value of the market. The higher the P/E ratio, the more confidence investors have in the future

earnings flow of the market. The lower the P/E, the less confident investors are in the future earnings power of the market.

What's normal? A normal forward earnings multiple is between 13 and 19. The actual average forward PE ratio for the past 25-year period has been 15.9, with the current ratio hovering around 17. Believe it or not, we've been here before, and even though the Dow Jones Industrials has never cracked 20,000 in the past, it's been commonplace for the earnings of the market to support the valuations we have today.

The markets are generally 'range-bound' in terms of the valuation. At times when investors were overly optimistic, the price to earnings ratio exceeded *twenty four* times earnings. The late 1990's were a blazing example of this confidence. People wanted to own stocks, mostly technology-based companies that had little earnings but carried great prospects. The markets were overvalued and significant segments of the market came crashing to a halt. Companies that had predictable cash flows and earnings weren't painted with the same negative brush and fared rather well. But, those companies with a low level of both earnings visibility and confidence were harshly punished.

In 2008 and 2009 the tides turned once again. Investors had little confidence in the market system and pushed price earnings ratios to under 9, providing a sign that investors had little to no confidence in the future direction, or even existence, of the earnings of the market. Was a low PE ratio a great buying signal?

S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, IBES, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1989, and FactSet for March 31, 2017. Average P/E and standard deviations are calculated using 25 years of FactSet history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow data availability. *Guide to the Markets – U.S.* Data is as of March 31, 2017.

You bet. However, investors in 2008 and 2009 weren't looking for opportunities to invest. But rather they were looking for ways to stop losing money. When markets crash it's a totally different mindset that transitions from 'opportunistic' to 'protection.' It's human nature, sadly.

The stock market is a forward-looking mechanism. In the short-run, it's more of a voting booth, exhibiting the short-term opinion of the investor. They 'vote with their dollars and their emotions,' so to speak, and typically, emotional investing is counterproductive and inefficient. Over the long-term, the true value of the markets is generally realized, with the long-term market behavior acting more like a 'scale,' or a more precise measure of the market's strength and viability.

As a general comment, stocks go up when the profits of the underlying companies are expected to be higher in the future. Stocks perform poorly when profits are anticipated to fall in the future. Market performance is rarely a reflection of today's news, but rather expectations for higher *future* earnings power and growth. If growth rates are expected to accelerate, it's reasonable to also expect that markets should rally.

In this environment the Trump administration is truly pushing for more *future* economic growth by influencing tax rates and creating incentives for corporate investment. This has a

positive impact on future corporate earnings and a fairly solid reason why equities have performed as well as they have. That said stocks may be able to support a higher earnings multiple in light of those possibilities. The biggest hurdle that the markets have to cross is the potential for reality not meeting expectations. If earnings were to falter compared to the expectation of higher future profits, the markets will have to adjust values accordingly.

Markets do get ahead of themselves with excessive valuations and unrealistic expectations. We will go through a number of market cycles exhibiting this type of behavior for decades to come. Is Dow 20,000 anything special? Most likely not. We will eventually see Dow 30,000, too. Companies want to expand operations, make additional profits, and hire more employees. It's the way they are wired. Looking back in the 1970's and 1980's one would be led to believe that inflation and sky-high interest rates were here to stay. The one constant is change, and the markets will assure us all that the future can be very similar to the past. OM

ECONOMETRICOLOGY

A guide to the economics of money, markets, and the general health and well-being of our nation's economic system. Apart from the political debates, are our nation's companies moving in the right direction? Are we gaining in terms of productivity and employment, or have things slowed down? Here's what the picture looks like.

An *'economy'* is defined as 'the wealth and resources of a country or region, especially in terms of the production and consumption of goods and services.' Well, how are we doing?

The last year was a good one. The markets made money, jobs were created, and the gross domestic product (GDP) advanced rather than declined. All good... right? We try to provide clients with a summary of a few key metrics that we pay attention to in order to make 'heads or tails' of the movements within our own economy.

Commentary - Recent Expansion Cycle. The most recent economic expansion started just after the 2009 recessionary time period. This expansion could be characterized as both 'tepid' and rather shallow in terms of the amount of additional GDP produced. The length of this expansion has been longer than most. It's worth noting that past economic expansions have had a higher trajectory, meaning greater economic growth, while also lasting an average of 46 months according to JP Morgan. At present, we've experienced a period of expansion totaling 84 months.

Gross Domestic Product (GDP). Year-over-year change in GDP was 2.1% compared to first quarter of 2015. With an average GDP growth rate of 2.8% and a higher GDP *target* growth rate by the Trump administration, we expect higher growth in 2017 and 2018 as additional international economic growth is also experienced.

Inflation. We've been experiencing lower than normal periods of inflation. The largest inflationary pressures have been and will continue to be experienced within the medical and healthcare industry. Core inflation rates have averaged 2.2% through May of 2016, with an average over the past 50 years of roughly 4.1%. We have no reason to believe that inflationary pressures will increase within the next year.

Jobs and Unemployment. The national unemployment rate in May of 2016 was 4.7%. An unemployment rate of less than 5% signals that an economy is at 'full employment.' Wage growth has been well under long-term averages, coming in at a modest 2.4%. Companies seem to be finding necessary talent at fair and reasonable wages. The labor force has been shrinking at a slightly faster rate than the number of workers retiring from the workforce with the labor participation rate declining to 62% from 66% in 2006. In combination, this means that more workers are aging out of the system and some are ceasing to explore options for employment. On a positive note, the government workforce has been shrinking, with additional private-sector jobs being created since 2010.

Oil. In 2008, oil hit a high of \$136 per barrel, now trading at \$50. This collapse in the oil market was due to increased levels of supply, and the increased value of the US Dollar. Oil inventories, domestically, have continued to climb in anticipation of higher future oil prices. Rig counts are down as lower prices have

Image: Multnomah Falls, Oregon. Located along the Columbia River highway in the Portland Oregon area, the falls are 620 feet high.



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“Since 2013, the United States has experienced a 16.3% growth in oil production, compared to only 6.7% on a global basis. It is widely expected that oil companies and their earnings will once again be positive contributors to overall earnings growth in the near-term.”

diminished the incentive for additional domestic oil production. Since 2013, the United States has experienced a 16.3% growth in oil production, compared to only 6.7% on a global basis. It is widely expected that oil companies and their earnings will once again be positive contributors to overall earnings growth in the near-term.

Corporate Financials. Corporations continue to hold significant amounts of cash on the sidelines for purposes of organic expansion, share buy-backs, dividends, or ultimately merger and acquisition opportunities. Corporate cash as a function of total current assets now stands at roughly 30% compared to 14.2% in 2000. It is also worthy to note that corporations have increased share buy-back plans and the amount of dividends paid to shareholders. The recession of 2008 taught corporations that ‘cash on hand’ can be very valuable when needed.

Consumer Financials Consumers are showing signs of prudence and resilience. With slower wage growth, and a more increased need to accumulate assets for retirement, household debt service ratios have come down 24% from their peak in late 2007, with household net worth increasing 32% from 2007 as well. The largest debt item on consumer balance sheets continues to be residential mortgage debt, comprising 67% of total liabilities.

Real Estate. The real estate market has seen an incredible turnaround from the lows of the mortgage and housing crisis in 2008 and 2009. The glut of residential housing supply has been worked through with housing starts once again on a track back to their statistical averages, peaking in 2005. The price for an existing single-family now stands at \$273,000 compared to a peak of \$276,000 in 2005. Given the fact that interest rates are still relatively low the affordability of mortgages is still very high.

Even despite the fact that lending standards have tightened substantially, average approvals for mortgage loans are seeing a substantial uptick in the credit worthiness of the borrowers.

Federal Deficit. Deficit spending is what ultimately contributes to the national debt. A shortfall in the collection of tax revenues compared to spending can be problematic. However, deficit spending during the past cycle has averaged 3% on an annual basis, hitting a high of 10% during the recent fiscal crisis. We expect federal spending to continue to rise in excess of tax revenues. In general, deficit spending is a planned measure by the current administration in efforts to spur economic growth.

In Short. The economy is healthy. However, it’s not always about the ‘known’ variables that can cause trouble. The Trump administration has committed to policies aimed at increasing economic growth, while also focusing on issues and items for improvement on a local basis. Tax matters are significant components to investment decisions for purposes of economic growth, and the present expansion, in our opinion, has room to grow. OM

Sources for data and items cited within this article, JP Morgan Asset Management, ‘Guide to the Markets 1Q2016,’ FactSet, Standard and Poor, Federal Reserve, Bureau of Labor Statistics. Earnings estimates are based on operating earnings per share estimates provided by Standard and Poor’s consensus analyst expectations.

Photo: Pay phones are a thing of the past, no longer dotting gas station parking lots, or hotel lobbies. Can you recall the first time and place you made a call using a cell phone, or the last time you used a pay phone?

SPECIAL NEEDS PLANNING

Family members with disabilities require and deserve special attention. From a financial perspective, they should have a structure in place that gives them the necessary financial resources in life without denying them the assistance that they require and need.

There is no cookie-cutter approach to wealth management when administering assets for the benefit of a disabled beneficiary. Add a layer of cognitive impairment to your loved one, and their ability to manage money on their own behalf becomes a serious impediment.

Proper Structure. Special needs trusts, commonly referred to as ‘Supplemental Needs Trusts’ are structures that are put into place by a parent or a grandparent for the management and care of the assets to be administered for the benefit of a specific type of beneficiary. They are structured to permit an impaired individual to continue receiving governmental assistance such as Social Security Disability, or Medicaid, while preserving trust assets for the benefit of the beneficiary. Trust assets are meant to *supplement* the lives of those that are disabled, and are not meant to *supplant* the benefits that they otherwise are entitled to receive.

The basic concept of a supplemental needs trust is to augment a wide range of not only medical and health care services, but also to provide funds necessary for purposes of improving the quality of life for the individual. Governmental assistance and the related programs only go so far, as you could imagine.

Trust distributions can be used for purposes of purchasing a special vehicle required for the individual’s transport including the maintenance and insurance expenses. Additionally, trust assets can be used to pay for certain types of living arrangements that may include upgrades or renovations to a beneficiary’s residence making it specifically accessible by the individual. Also, distributions may be permitted for purposes of recreational hobbies and vacations, added equipment that may be required for purposes of enhanced communication, as well as providing the individual with a service animal.

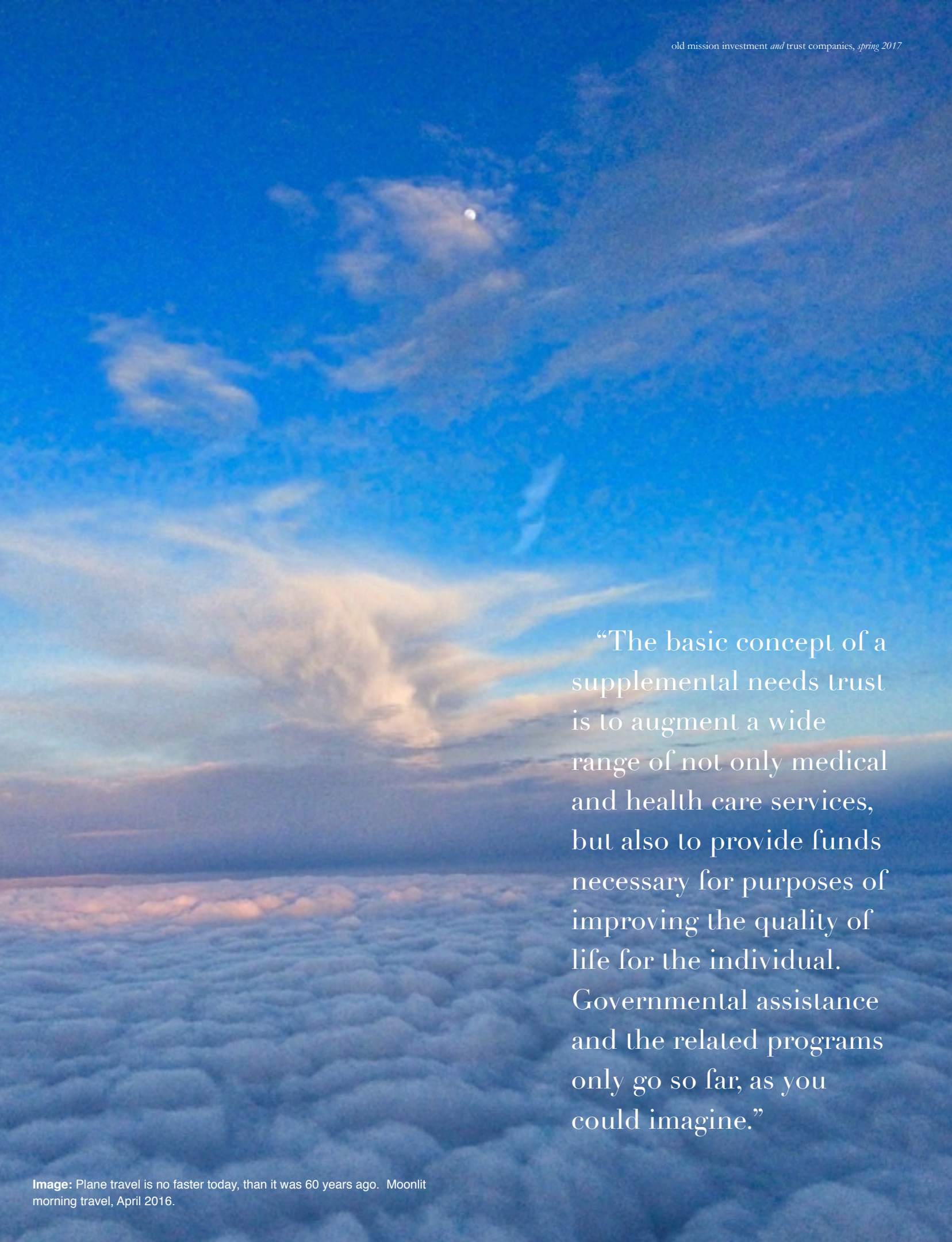
Discretionary Distributions. A special needs trust is drafted as a ‘discretionary trust.’ This means that distributions from the

trust for the benefit of the beneficiary are made based on the sole and absolute discretion of the trustee. Trust distributions are not mandatory, nor are they required to be done on a regular basis. Many traditional trusts mandate that distributions are done on a regular basis and are comprised of the income from the trust. Special needs trusts do not have this provision, nor should they. Distributions are generally done directly to the vendor, service provider, and supplier of the goods and services rendered, rather than distributed to the beneficiary outright.

Family Involvement. While family members such as brothers and sisters should have a role in the assistance provided, in many cases they may not be best suited to serve as a trustee. Family members can be appointed as a ‘trust protector’ giving them the rights to oversee the actions of the trustee, while also providing certain guidance on items that require financial attention by the trustee. In essence, the trust protector is largely concerned with the type of care provided, and not necessarily the granular actions of managing trust assets, making distributions and tending to tax matters. A trustee can also be directly involved with the care decisions rendered to the beneficiary; however, it is something that should be discussed at great length with those involved to ensure that this task is something they are willing to accept. It’s not an easy job.

Legal Counsel. Special needs trusts are a *special* type of trust that does require knowledgeable legal counsel to prepare. This is not a ‘go it alone’ type of arrangement, and don’t think that you can trust a family member to understand the nuances to this type of administration by directly entrusting assets to family members to manage on behalf of a beneficiary.

If you have a special needs situation that you would like to discuss, please let us know. We have a small network of legal professionals that we can rely upon that handle this type of specialized legal work. OM



“The basic concept of a supplemental needs trust is to augment a wide range of not only medical and health care services, but also to provide funds necessary for purposes of improving the quality of life for the individual. Governmental assistance and the related programs only go so far, as you could imagine.”

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ROCK SHOX **SHOX**
 RACING RACING
 UP
WATCH OUT FOR RACING CYCLES!!!

LOOK TWICE -
SAVE A LIFE
CYCLES ARE EVERYWHERE
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Vittoria

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SAFETY DEPOSIT BOXES

If you have one, what should you put in the box, and what should stay out? How should you 'rent' the box... in your name, the name of your trust, or your name with a joint tenant?

Do you have a safety deposit box? If you do, it would be good to read this just to make sure that you aren't creating an issue for your beneficiaries down the road.

The Title. How did you rent the box? Did you rent it between husband and wife? Many people believe that as long as a husband and wife are on the rental agreement, things are fine. But, what happens when you are both gone? How is access gained then? If you require a safety deposit box, the best option is to rent the box in the name of your trust. Since your trust is owned and controlled by you, it doesn't change the way you utilize the box during your lifetime. Upon your passing, your successor trustee has the right and the responsibility to open and examine the contents of the box.

For those who rent the box in their own name, which is quite common, understand that once you are gone, or you and your spouse are gone, that probate court involvement will be required for your personal representative to gain access to the box. A box that is rented in the name of your trust does not have this problem since a successor trustee steps into your shoes as trustee, and can easily gain access to the box without probate court involvement.

The Contents. Just because you rent the box in your name, or the name of your trust, it has no impact on the title and ownership of the *contents* of the box. It's important to also note that if you place a son or a daughter on your safety deposit box, they aren't entitled to the contents of the box, personally. Any provisions within your personal will or trust will still govern how

personal effects are distributed which may include the contents of your safety deposit box. It's also good form to ensure that an 'assignment of personal property' is maintained within your trust documents so that proof exists that you have, in fact, transferred all personal items that don't have a specific title (some of which are contained within your safety deposit box) to your trust. Absent this assignment, the gold coins, family jewels and silver bars may require probate involvement.

Keeping it In. Precious metals, passports (maybe), jewelry, coins and collectibles, deeds that have not been recorded, stock and bond certificates, savings bonds, important contracts and papers, insurance policies, family photos, and titles to vehicles could all be kept safely within your box.

Keeping it Out. Don't store your personal will, trust, medical directives and powers of attorney within your safety deposit box. These can be the documents required by the bank or credit union for access TO the box, and absent these documents, your kids, your trustee or your heirs might be in a pickle.

Bear in mind, insuring the box for damage is your responsibility. Many people believe that banks and their boxes are 100% guaranteed against failure. However, this is not always the case. Insurance coverage against failure and loss is not provided by the bank, nor is it provided by the government - it's up to you. Also, make sure that the rental agreement on the box matches your estate plan. If you have a trust, ensure that the trust is shown on the rental agreement as the renter. Lastly, it's not bad practice to include an inventory of your safety deposit box with your legal documents, and be sure that it's up to date, too.

Clients go through the time, energy and expense of creating great estate plans. However, it can be the small details that upset the apple cart, safety deposit boxes included. OM

Image: Tour America Bike Shop front door, Rogers City, Michigan.

SECOND MARRIAGES AND THE ESTATE PLANS THAT GO WITH THEM

A second marriage blends many things. Families, money, planning, and for some, it causes a split view on how to handle money when one spouse passes away. Estate plans that take both spouses, AND families into consideration are not always easy to do while trying to keep family harmony. It's not always easy to craft a solution to please both masters.

Second marriages aren't always born out of divorce, but no matter the circumstance, there are almost always other considerations that come into play when talking about split family arrangements. How do you take care of a surviving spouse when you are also cognizant of the fact that you might want to favor your kids, too? The ability to serve two masters while maintaining family peace is a delicate balance that many plans overlook, and in many cases, plainly ignore.

Story Problem #1. A husband and wife re-marry, each with their own set of adult children. Upon the passing of the wife, many of the retirement plan assets flow to the surviving husband. Additionally, joint assets such as a primary residence, bank accounts, and investment accounts also flow to the surviving husband as well. The surviving spouse in this situation can then control the entire estate and ultimately upon their own passing can leave everything to *his* own children. How are *her* adult children treated? Sadly, her children received nothing. Is that what was intended? The answer most likely, is 'no.' However, there are ways to protect against a problem like this happening.

Story Problem #2. A husband and wife re-marry with the same situation as presented above. They each have their own adult children. The husband is deeply concerned that his spouse will have to modify her lifestyle should he die, but he's also concerned that his adult children will potentially be left out of her estate planning decisions if his entire estate were entrusted to her and her family. This is not an uncommon situation, and again, there are solutions for this type of dilemma.

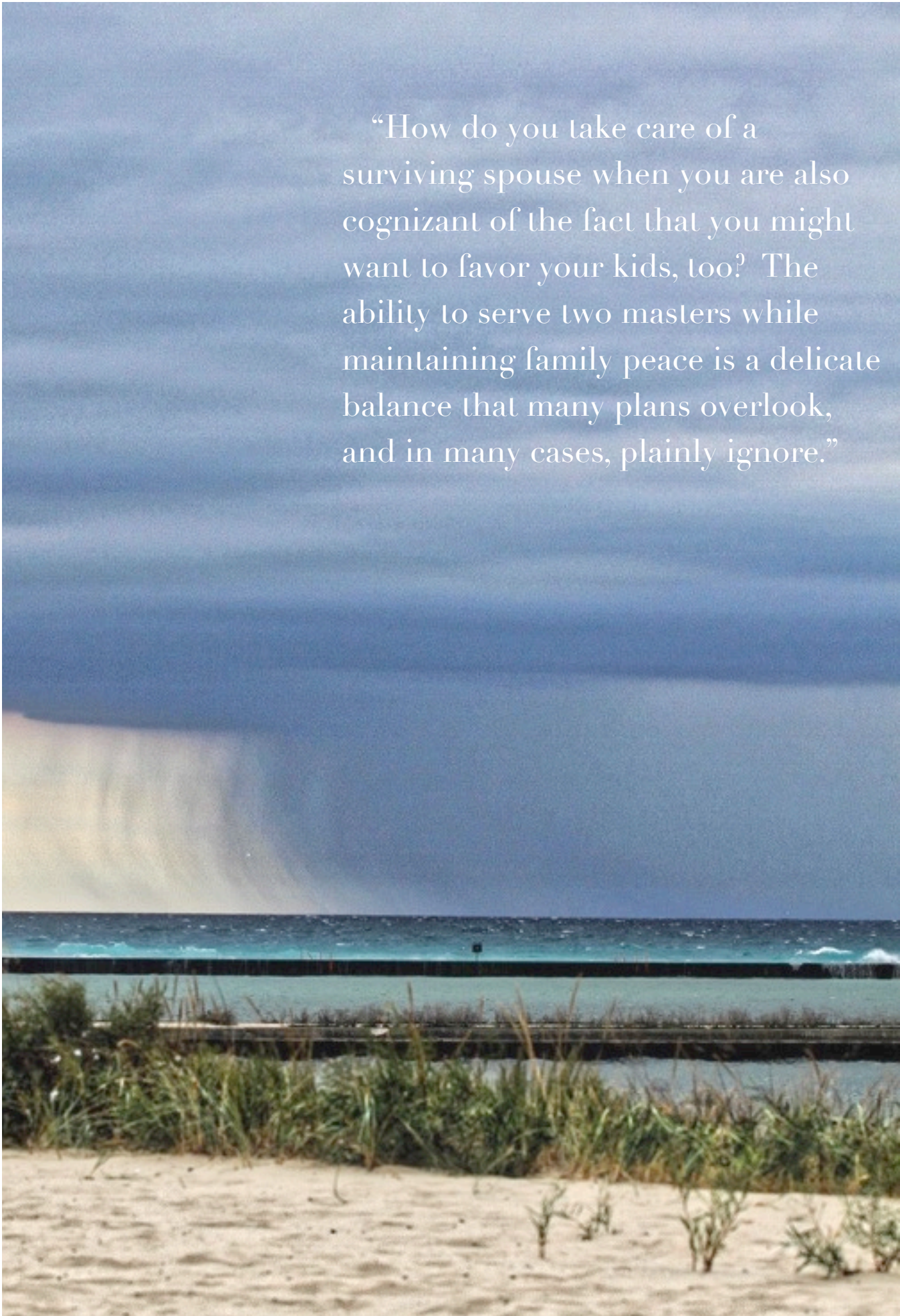
Serving Both Masters. A properly drafted estate plan will permit a re-married couple with the ability to provide resources for a surviving spouse while also providing for surviving family members. In many situations, this type of arrangement can provide the necessary level of income required for a spouse during their lifetime, while also maintaining that the principal of the decedent's estate is largely protected for the decedent's heirs.

A surviving spouse, through normal trust language is generally afforded a number of ways to receive income. They can receive all the income that a trust or retirement account produces, as well as distributions of principal based on the survivor's need for healthcare, educational expenses, maintenance expenses and support. In essence, a surviving spouse has access to the benefits that money provides without actually maintaining *ownership* of the assets, outright. That said, since a surviving spouse does not have direct ownership, a surviving spouse does not have direct control over where the principal or remaining balance of the decedent's estate goes. Once the surviving spouse passes away, the remaining assets go where the original spouse directs, which is usually to their family and not to the family of their second spouse.

Enter the 'QTIP' Trust. A 'QTIP' trust provides benefits for a surviving spouse, without giving them direct ownership of the assets held by, or maintained through, the trust. QTIP stands for 'Qualified Terminable Interest Property,' since the trust *qualifies* for preferential treatment due to the fact that a spouse is a

Image: Lake Michigan, Frankfort Pier, Frankfort, Michigan.

“How do you take care of a surviving spouse when you are also cognizant of the fact that you might want to favor your kids, too? The ability to serve two masters while maintaining family peace is a delicate balance that many plans overlook, and in many cases, plainly ignore.”





“It’s not that appointing a trust [as a retirement account beneficiary] is an overly-complex administrative hassle, but it does require an additional layer of care. Additionally, the appointment of a trust as a beneficiary should be done under the guise of a qualified advisor and your attorney, since the distributions required upon the passing of the first spouse are guided by many facets of the IRS tax regulations and carry stiff penalties if not administered properly.”

sole beneficiary, and it’s *terminable* due to the fact that the trust would terminate upon the passing of the surviving spouse.

A QTIP trust is a great way to make sure that a surviving spouse is taken care of, while also making sure that the remaining funds go to your family. In a way, it’s like ‘renting out’ a pool of investment and retirement assets, while ensuring that the basic intentions of the first spouse are still left in tact.

Retirement accounts are a sticky wicket when involving trust planning for surviving spouses. Since surviving spouses are entitled to a tax-free rollover to their own personal IRA, the appointment of a QTIP or any trust for that matter, can complicate things. QTIP trusts and retirement accounts aren’t the best bedfellows due to accelerated distribution requirements, but there are other options that should be discussed with your planner. It’s not that appointing a trust is an overly-complex administrative hassle, but it does require an additional layer of care. Additionally, the appointment of a trust as a beneficiary should be done under the guise of a qualified advisor and your attorney since the distributions required upon the passing of the first spouse are guided by many facets of the IRS tax regulations and carry stiff penalties if not administered properly.

Appointing a trust as a beneficiary of an IRA can ensure that your IRA is also managed for the benefit of your surviving spouse, while providing that your children are an irrevocably-appointed ‘next line’ of beneficiaries. This action does provide that not only are trust assets directed to your own children, it also ensures that any remaining retirement balances are distributed in accordance with those wishes as well.

When structured properly, a trust and estate plan for second marriages can answer many of the questions that have long been ignored. They address the needs of a surviving spouse without any ‘grey area.’ Families have been torn apart by both poor planning, and quite plainly ‘no’ planning at all, thinking that their second spouse will make sure that a decedent’s family is *going* to be taken care of. Either through their own ignorance or through their own wishes, this sometimes does not get done creating ill-will, frustration, and an unfair financial distribution of ‘family assets’ once things are finally settled. Bear in mind, a surviving spouse has little in terms of ‘requirement’ to favor your children from your first marriage absent proper structure, title and planning.

As noted in one of our earlier articles, trust planning is for the ‘living’ as well. While we focus so much on the process of expeditiously transferring wealth from one generation to the next upon *death*, there are plenty of reasons why planning for *life* should be equally as important. This type of planning answers questions that need answering, takes all loved ones into consideration, gives guidance when and where necessary, and provides clarity for everyone involved. It’s a win-win-win. OM

Image: Small waterfall, Multnomah Falls, Oregon.

TAX REFORMATION

Taxes will be a political hot-button, forever.

They are a moving target among all participants, and everyone including corporations, individuals, charities, and our kids are all impacted by government decisions on tax matters. What are some of the discussions and recommendations coming from the Trump administration, and do they have a chance at passing?

Change is tough, let alone changing our nation's tax system to something that is more productive. The ultimate question that we generally have is 'is it better for taxpayers to have more control?' The President seems to think that taxpayers should have more say on the manner in which personal incomes and corporate revenues are spent. Less taxes give us more control. More taxes give government more control.

Let's start by saying that planning for the potential tax changes can be incredibly difficult. Trying to predict change is nearly impossible. However, this administration has made a concerted effort to make tax reform a priority. That said, there are a number of items that have the potential for a positive impact on clients' situations, as well as implications for the overall health and well-being of our economy.

General Tax Rates. The Trump administration has proposed a simplification of personal income tax rates to include only three tax brackets. The new tax rate system - 12%, 25% and 33% - would whittle income tax rates from the 7 rate structure that we presently have to only 3. The present brackets range from a high of 39.6% to a low of 10%. New rates could hurt those in lower tax brackets while slightly favoring those that are modest to high earners. Most filers in the middle, however, would experience little to no change.

Marriage Penalty. Trump has also proposed eliminating the 'marriage penalty.' The marriage penalty refers to the fact that the

effective tax rate for married couples is higher than the 'doubling' of the single brackets. The proposal calls for married couples to pay a tax rate of exactly *double* the single brackets. Additionally, the proposal also includes the elimination of an entire filing status: head of household. Single parents would now be required to file as single taxpayers, effectively increasing their tax rates.

Capital-Gains Tax Rates. Capital gain income is the realization or profits derived from the sales of capital assets such as stocks, businesses, and real property. Presently, capital gain rates have three tiers, 0%, 15% and 20%. Additionally, there is the existence of a maximum 3.8% Medicare 'surtax' that begins to exist once incomes graduate to higher levels. This can cause the maximum capital gains tax rates to touch 23.8%. For reference, the 3.8% Medicare tax may be applied to other sources of income as well with the whole existence of this tax up for debate, presently. As a strange aside, the Medicare tax can also apply to income retained within trusts, when trusts themselves do not use Medicare. House Republicans are considering a 16.5% maximum capital-gain tax rate. From our perspective, capital gain tax rates influence investment significantly across the board.

Corporate Tax Rates. Trump has also proposed reducing the corporate tax rate from 39.6% to a rate that is significantly less, with some degree of variability based on the amounts of income generated by the corporation. It's worth noting that the



Image: Benjamin Franklin has graced the \$100 bill since 1914. The production cost of a single \$100 bill is 12.5 cents, with the majority of \$100 bills circulated **internationally**, rather than within the United States.



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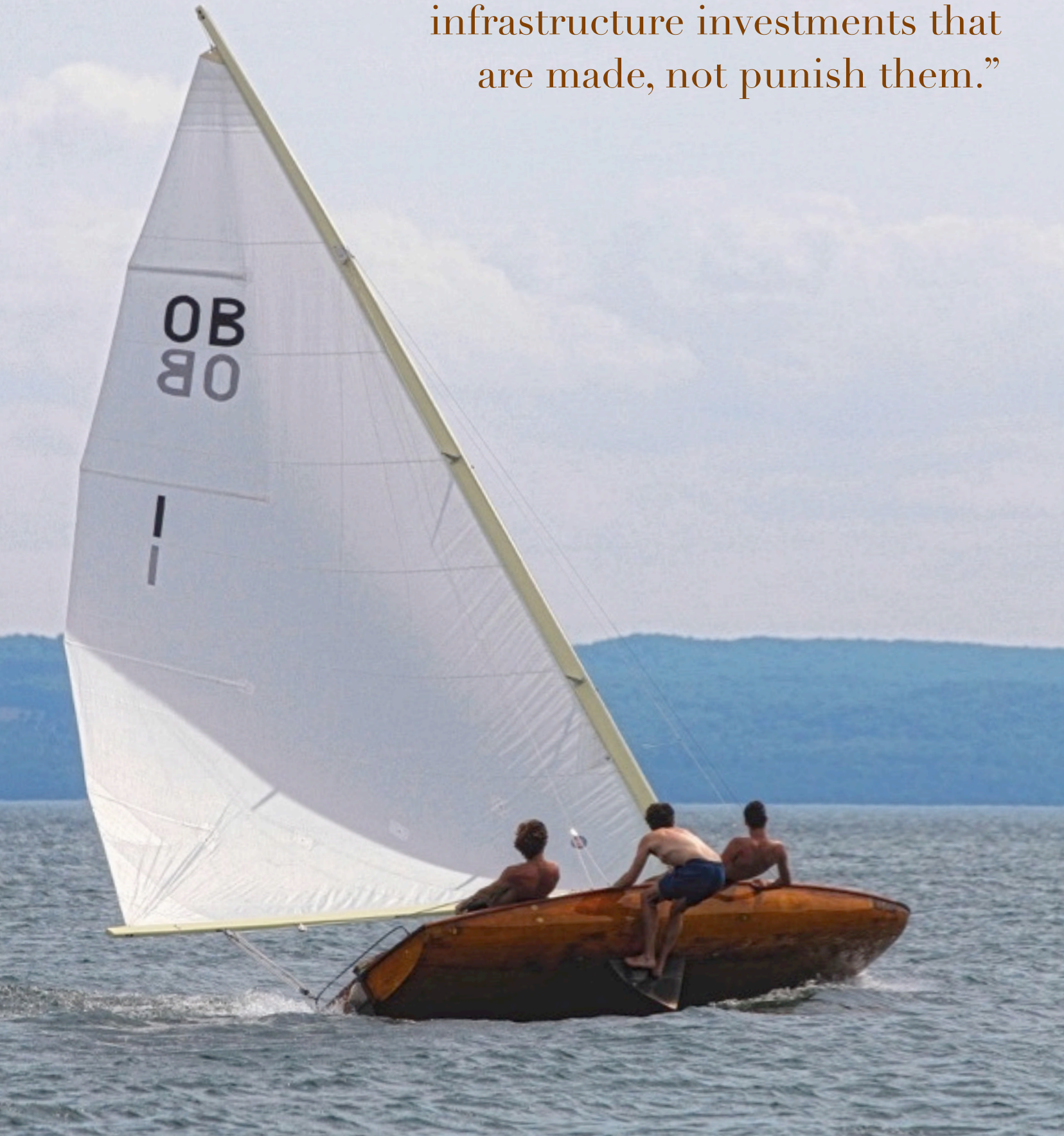
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FRANKLIN

“...the tax code *should*
incentivize businesses for the
infrastructure investments that
are made, not punish them.”



“A limit on the deductibility of charitable contributions may accelerate current giving, and also cause taxpayers to use alternative means of giving such as Charitable Rollovers from IRA accounts directly to charity, and the increased use of donor-advised funds.”

United States has the highest corporate tax rates in the world. The current proposal favors reducing the 39.6% corporate tax rate to 15%.

Standard Deductions. One of the largest changes to the tax system has to do with the standard deduction. Presently, the standard deduction allowable for each taxpayer is \$6,300. If you are married, you would be entitled to a \$12,600 standard deduction. Trump has proposed that these numbers be doubled to \$12,000 and \$24,000, respectively.

Other Deductions. Trump has also proposed putting a cap on other types of deductions that would likely only have a negative impact on high income taxpayers. This may include mortgage interest on second homes beyond certain levels, a limit on itemized deductions, and the deductibility of charitable contributions. A limit on the deductibility of charitable contributions may accelerate current giving, and also cause taxpayers to use alternative means of giving such as Charitable Rollovers from IRA accounts directly to charity, and the increased use of donor-advised funds.

Alternative Minimum Tax (AMT). This is a tax that was originally created in order to ensure that wealthy taxpayers paid a minimum tax rate. However, the formula for this rate has now taken a toll on even middle-earners, causing a substantial number of filers to be subject to this unkind tax. Trump has proposed that the AMT tax be eliminated. While not many taxpayers understand the AMT, it has been a tax that has broadly-targeted many taxpayers it was not originally designed to target.

Estate Taxes. The current administration has proposed the elimination of the estate tax. At present, the estate tax rate is 40% on estates that are valued in excess of \$5.5 million. Families that lose both parents can expect an exemption from estate taxes of \$11 million as the assets pass from one generation to the next. However, their proposal comes with one wrinkle - the elimination of the ‘basis-step up’ for estates of \$10 million or more, effectively adding another type of tax when family assets are sold. Taxes would be owed on the appreciation of assets in excess of their original basis with the basis of the asset determined by its original purchase. There seems to be a substantial amount of

pushback on the repeal of the estate tax; however, it’s also important to note that it’s an incredibly small revenue item for the government, raising \$30 billion annually.

Economically Speaking. Tax rates do influence behavior. Trump is making efforts to create corporate incentives to make investments in upgrades to plants and equipment, domestically. He’s also providing a ‘tax repatriation holiday’ giving multinational corporations the ability to bring capital back to the United States with a very low tax rate as an incentive. Additionally, he’s proposed permitting corporations to take an accelerated depreciation deduction so that companies don’t have to wait 37.5 years to depreciate new investments in job-creating plants. As an example, when Ford builds a new plant they take a tax deduction over 37.5 years rather than a full deduction in the year the structure is built. That said, we think the tax code *should* incentivize businesses for the infrastructure investments that are made, not punish them.

Taxes aren’t easy to understand, and we commend anyone who has made it to the end of this article. You must love tax matters as much as we do. Add a significant element of infighting between the Republicans and Democrats, the likelihood that all tax proposals are passed ‘as proposed’ is not all that high. We do believe that a number of items proposed make sense, but paying for the proposed tax cuts is an entirely different discussion rooted in fiscal responsibility. It will be interesting to watch. OM

Image: Wooden ‘C-Scow’ sailing on Lake Charlevoix. C-Scows have no keel, but rather depend on her crew’s ability to adjust their position to an appropriate location to prevent a capsized. It’s acceptable to stand on the windward ‘bilgeboard’ for purposes of additional stability, as demonstrated.

TRUSTS ARE FOR THE *LIVING*, TOO.

Trusts aren't only about being useful at death. While they do provide a probate-free transfer of assets from one generation to the next upon death, they are incredibly useful during periods of time when loved ones need structure in place for care during life, too.

Proper trust planning isn't only about your kids, and the 'who gets what' when you are gone. It's also about the administration of your assets while you are alive and require assistance of your own. There is a huge emphasis on trust planning as it pertains to the distribution of your assets when you are gone. But, what happens to your assets and your specific 'plan' when you are alive but unwilling or unable to care for yourself?

No one wants to rely upon the kindness and generosity of strangers when help is needed. Trust documents and properly structured powers of attorney do provide the necessary structure in order for the providing of your care during your lifetime. What exactly do they do?

Bill Payment. Just because you are ill doesn't mean that the bills stop coming. Payment for medical care, and payments for housing needs, your residence, your cottage, maintenance items, and other expenses don't quit.

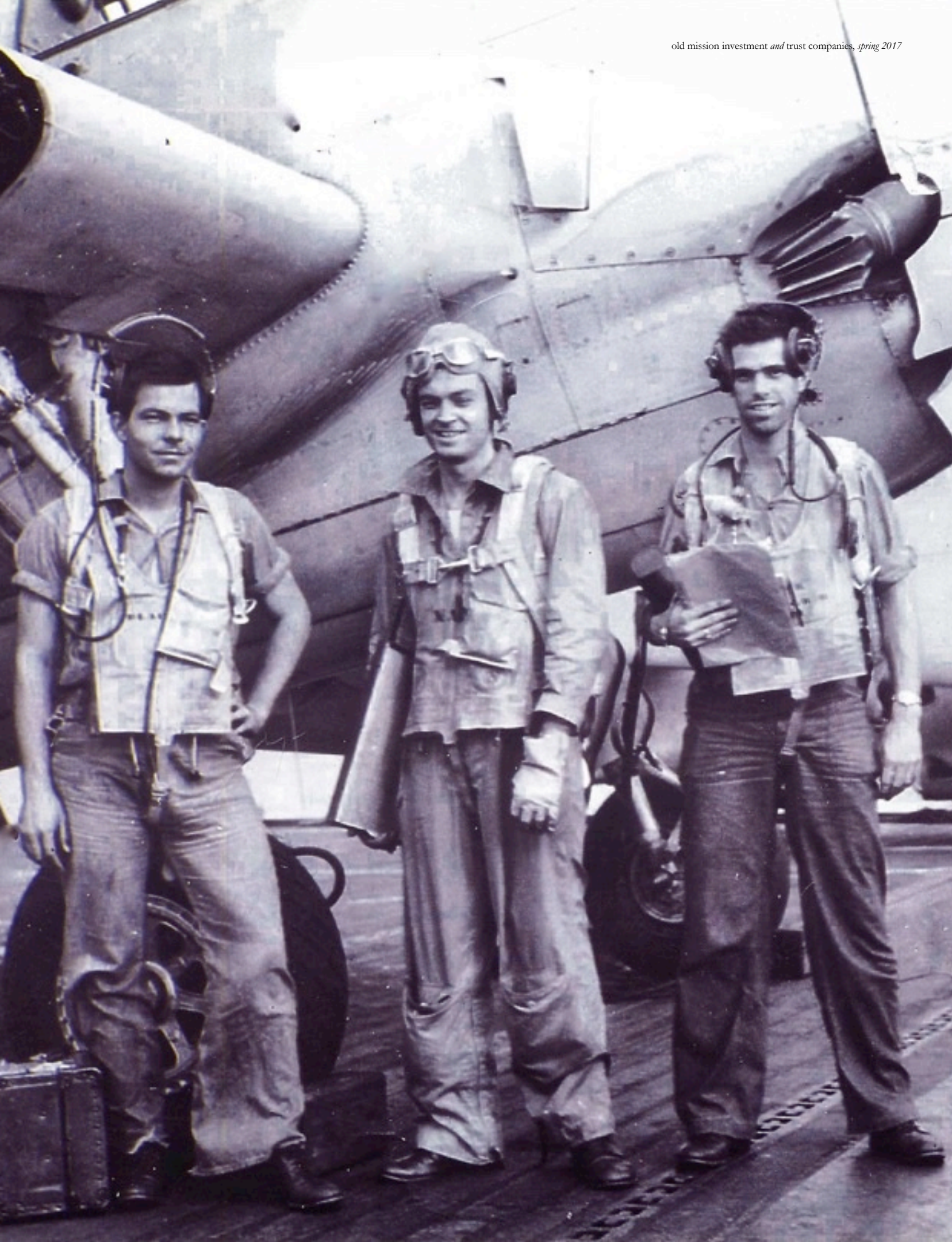
Taxes. It's been said that the only guarantees in life are death and taxes. We agree. Even though you aren't able to gather all those 1099's, medical bills, and charitable contributions doesn't mean that the tax-man won't still expect to see your timely-file form 1040 on April 15th each and every year. Your trustee, or your power of attorney, is responsible for your tax filing during periods when you are unable. Additionally, there are property taxes that need to be paid, as well as any estimated tax payments to the IRS that still need to be met.

Non-Trust Assets. To the extent that you hold IRA accounts and annuities, those may require that distributions be handled on an annual basis. In order to meet required mandatory distributions under the IRS rules, your power of attorney must continue to take withdrawals in order to meet this requirement. The 50% penalty is stiff for non-compliance to this rule, and serves as a continuing reminder that life continues even when you aren't able to continue under your own steam. Your power of attorney would have authority to manage these assets when you aren't capable.

Investment Management. Investments still need to be handled during those times when you are unable or unwilling to handle your own affairs. Your trustee, in the case of trust assets, or your power of attorney, in the case of non-trust assets, is required to manage assets prudently on your behalf. This includes the purchases and sales of securities for purposes of generating cash for the payment of your bills and expenses, in addition to the adjustment of risk for purposes of prudent investment management when your needs have changed. Taxes concerning these types of decisions are also an important consideration.

Consistency Counts. If you are going to the trouble of drafting a great estate plan, keep things consistent between your power of attorney designee, and your trustee. Since most people have a combination of retirement accounts, and non-retirement accounts, understand that your trustee doesn't always have

Image: Robert Nancarrow (middle), World War II pilot. United States Navy Task Group 22.3 was responsible for the capture of the U-505 submarine presently housed at the Museum of Science and Industry, Chicago. The captured submarine also contained the 'Enigma' machine and related codebooks.



“Many families are already ‘maxed out’ when it comes to the illness of a family member. They rally around a mother or a father to make sure that their medical appointments are scheduled and attended, that medications are taken with regularity, and that the care needed is actually handled. A prudent selection of a trustee and power of attorney that is a corporate trustee can mitigate further responsibilities by your family at a time when *additional* roles aren’t easily handled.”

authority over both. Trustees are responsible for trust property, and your power of attorney is responsible for non-trust assets that aren’t held as a part of your trust. Specifically, a bank account held in the name of your trust is regarded as a ‘trust asset,’ while your retirement account is held solely in your name only.

When we speak of consistency, we are referring to a consistency of administration. Since trust assets, and retirement assets are meant to provide for *you* during *your* lifetime, it’s also important to have the same individuals or institutions working together for the common goal. This ensures that the people, or institutions, you trust are handling your affairs entirely as you expect. By having different people serve in different capacities, your power of attorney would be administering your IRA, while your trustee would be handling your trust assets. By keeping this under one roof, the process by which your entire estate is administered is expected to be smoother and with less frustration.

Your Family. Many families are already ‘maxed out’ when it comes to the illness of a family member. They rally around a mother or a father to make sure that their medical appointments are scheduled and attended, that medications are taken with regularity, and that the care needed is actually handled. A prudent

selection of a trustee and power of attorney that is a corporate trustee can mitigate further responsibilities by your family at a time when *additional* roles aren’t easily handled. It’s not that families are unwilling to handle this type of role during a medical crisis, but rather, it might not be necessary to add unnecessary amount of stress to an already stressful situation. A corporate trustee can help by handling these roles for you and your family.

Having a proper estate plan isn’t always about ‘where things go’ when you are gone. They provide structure for your family for purposes of ensuring that your assets are neatly organized for administration during *your* life as well.

Trusts aren’t just for the next generation... they are for you, too. OM

Image: Chicago History Museum, stained glass exhibition.



BONDED

People think the bond market may be a dangerous place to invest. As interest rates rise, bond prices fall. Are we to expect a precipitous fall, or will we be faced with a low expected return environment for bonds in the near-term?

We've all heard that the Federal Reserve is raising interest rates. Of course, we've been hearing this since 2009. Starting in 2015, however, the Fed did finally adjust their stance and did in fact start raising short-term interest rates. To many, it is needed. To others, they are taking away the punchbowl a little too soon. What is in store for the bond market, and how should it best be navigated?

As most bond investors have observed, the bond market isn't an overly-volatile place to put your hard-earned cash. Much like any market, it has gone up, and it has gone down. Unlike its counterpart - the stock market - the swings in the bond market go little noticed, and quite frankly are rather tame by comparison.

With interest rates hitting their lows in 2015, most investors who owned instruments such as CDs and short-term bonds were ready to throw in the towel. Now, bond investors might actually have something positive to cheer about over the next few years as interest rates rise to a point where bonds can once again provide a satisfactory levels of income for the conservative investor.

A Most Likely Outcome. Given the fairly shallow economic recovery, the Federal Reserve is very tempered in their actions. They've raised rates at a very slow pace, largely due to the fact that they don't want to derail the economic recovery that has been happening predictably. That said, a slow pace to rate increases are most likely in the cards for this change in policy.

As it's been said by 'Fed watchers' in the past, the Federal Reserve doesn't change their stance on interest rates *one time*, but rather, they signal a change in posture with many rate increases or rate decreases to come. This time is no different.

Rates will increase, that we know. However, bond managers should have ample time to adjust portfolios in response to both the actions and the anticipated actions of the Federal Reserve. Does this mean that bonds will continue to earn total returns in excess of their distribution yields? Most likely, not. But, it doesn't mean that investors need to dance near the exits in response to a flood of selling in anticipation of higher future rates. In the past when a change of policy was noted, successive interest rate hikes were a monthly occurrence. Now we may see quarterly adjustments for the market to digest a 'new normal' for the bond market.

Why are Interest Rates Increasing? Interest rates control the various levels of borrowing within the banking system. As interest rates fall, borrowing capital becomes less *expensive*. As interest rates increase, borrowing becomes less *attractive*. As most people are aware, the cost of capital can drive decisions to purchase or build homes, expand and modernize plants and equipment, and ultimately influence economic activity. Interest rates aren't the end-all mechanism that makes or breaks a decision, but they do have a substantial impact on the ultimate cost of doing business.



5098 STR. "CITY OF ALPENA."

Interest rates have been low for quite some time. Most argue that the bull market for bonds started in the early 1980's when rates were incredibly high, and started to finally fall. In the current environment, the Federal Reserve feels confident that the economic recovery is gaining momentum. To that end, they also feel that removing some economic stimulus can be done without impacting the current recovery negatively. The ultimate goal of the Federal Reserve as to maintain a stable monetary base while also serving to combat the negative effects of inflation. At present inflation has remained tame even though many for quite some time have contended that inflationary pressures must eventually show up. To date, however, this has been largely a mythic assumption with the Federal Reserve doing a fairly good job of maintaining growth with very little inflation. Essentially, we've been riding a knife-edge balancing act with good, but not great, economic growth with low amounts of inflation. Not a bad result.

Implications for the US Dollar. The Federal Reserve also monitors the value of the US Dollar. As interest rates rise and fall a commensurate relationship with our currency also exists. By increasing rates rapidly, the value of our currency would escalate causing US-based multi-national corporations to sell products at higher prices than foreign competitors ultimately putting US-based corporations at a disadvantage. A rise in the value of the US Dollar can be harmful to our economic growth. Knowing

that there is no need to rapidly increase rates, the Federal Reserve will only raise rates at a slow pace due to the concern over the price of the US Dollar. As you can tell interest rate decisions impact much more than just the price we pay for our mortgages.

Bond Expectations. In short, we aren't expecting a 'run for the hills' environment for bonds. Bond managers, investors, and bond funds will have ample opportunity to make adjustments when, and where necessary. While we don't expect returns on bond portfolios to rally significantly, we do expect that the increased income earned on a bond portfolio over time will offset the potential for loss. Paired with a suitable equity allocation a balanced portfolio should be able to weather the interest-rate storm for years to come. 'Patience grasshopper... patience.' OM

Image: The Miriam and Ira D. Wallach Division of Art, Prints and Photographs: Photography Collection, The New York Public Library. "Steamer 'City of Alpena' Lakes" *The New York Public Library Digital Collections*. 1898 - 1931.



PROBATE

Let's say that things didn't go exactly as planned, and a portion of your assets required admission to probate court. While it certainly wasn't intended, how does probate court ensure that your assets still make their way to your intended beneficiaries?

As advisors, we have settled a number of estates for our former clients and their families. While we make every effort to engage clients during the funding process shortly after their trusts were drafted, there are also times when new assets enter the mix, or situations when assets were plainly forgotten. Probate court isn't as scary as it once was, but it does add an additional layer of time, money, and publicity that generally can be avoided. In the event that a portion of your estate requires probate involvement, what is the process?

Whoops. After death it's not uncommon that assets are discovered that don't a.) either have a beneficiary, b.) aren't held by a trust, or c.) don't have a *living* joint tenant. In essence, they don't have a 'home' after the original account holder has passed away. Probate court is where these assets are handled. Probate court is responsible for authenticating a decedent's personal will. Your will is a set of written instructions that is carried out by a 'personal representative' of your estate concerning the disposition of a decedent's assets. Things such as money, stamp and coin collections, gun collections, and other personal effects can be handled through this process. For those who have created a trust, having any sort of probate proceeding is not what was intended, but it does in fact happen far more frequently than anticipated.

The Process. All assets that are held within your 'probate estate' are separate from those held within your 'trust estate.' Probate estates require probate court, where trust estates are already held in trust. Once the decedent's final will has been presented by the personal representative, the court will open the probate proceeding. During this time, the court will permit the personal representative to manage assets. Personal representatives can marshal, consolidate and collect funds into the probate account, liquidate and manage securities such as stocks, bonds and mutual funds. They cannot, however, make distributions from the probate account for any other purpose other than for the normal fees, costs and expenses relating to the probate estate.

Once a probate estate has been opened, a notice is placed within the local newspaper in areas that the decedent had conducted business or lived. This is to request that any creditors of the decedent come forward in efforts to collect any unsecured final debts that may have been owed. Once the debts are paid, and the 4-month period has come to a close, and no heirs have legally contested the will, a petition is filed to 'close' the estate and distribute the assets to the beneficiaries listed under the will. Assets are distributed and the estate is effectively closed.

Public Inspection. Prior to the estate being admitted to probate, an inventory of the probate estate is done. This is an

“...clients who fail to provide a valid contingent IRA beneficiary may have a default beneficiary provided under the IRA adoption agreement that was signed when the account was opened. In many situations, the probate estate for the original account holder would be the contingent beneficiary, ultimately assuring that a probate estate would be required absent a surviving spouse.”

inventory of all the assets held within the probate estate. This inventory would include all assets not appointing a beneficiary, as well as those assets not held by a trust. This inventory would be open to public inspection, including the values and description of the various assets. You do not have to be a legal heir, or a listed beneficiary to obtain this information. As you could imagine, most people would prefer to have assets pass from one generation to the next without the possibility of public inspection. Since trusts are private, assets held by your trust do not qualify for this type of public inspection. Assets that are held by your *probate* estate that *are* to be transferred to your trust *would* be subject to this type of inspection, however.

Wills and Trusts. When an estate plan is drafted, it's quite common to also have a will drafted as well. A will serves as a catch-all for errant assets that may have been forgotten that should have ultimately gone to your trust. We have made mention to wills and trusts as going 'hand in hand' and that having both can be the best solution for a smooth transfer of assets when you are gone. Some people can be perfectly fine with only a traditional will, while others have more complex needs, and may require additional estate planning based on their situation.

Myths. First, assets do not go to the government. Most people believe that probate court 'gobbles up' all the money within your estate and leaves very little left for your beneficiaries. Contrary to popular belief, probate court as well as the attorneys that assist cases through probate court is governed by a statutory

limit that is imposed concerning the court fees as well as the fees an attorney may charge for estate settlement services. That said, it's not uncommon for probate fees and the related legal expenses for settling an estate to range between 2% and 5% depending on the size of the estate involved. Additionally, should there be any contest by an heir or beneficiary, the costs could clearly increase.

Dying Without a Will. This is known as dying 'intestate,' meaning without any written will directing for the ultimate disposition of your assets. Another myth, is that dying without a will causes all your assets to go to the government. This is not true.

Under the laws of each state, there is a succession plan for a decedent's assets absent a valid will admitted to probate court. These are known as 'intestacy laws' that will provide a pre-determined state-based legal distribution of assets to family members. A court, through their own efforts, or through a family members action requesting appointment, will arrange for assets to be distributed to surviving parents, siblings, cousins, and distant cousins depending on the 'depth' of surviving family members. 'Money is like a heat-seeking missile,' we say. It will eventually find a home with family members, either through a trust distribution, distribution via a personal will, or distribution via court-ordered direction. Either way, it will find a home even if you don't have a will drafted at the time of your passing. It's not the most effective means of transferring assets, but regardless, assets finally do find a 'home,' in a way. (*continued*)

Image: Casson Peak standing tall at 1,060 feet. Located in Baie Fine (pronounced 'bay finn,') in the Upper Lake Huron area known as the 'North Channel.'



Probate (Ctd.)

Retirement Accounts. There is a myriad of different ways that retirement account providers interpret the distribution of assets when probate court is involved. In some situations, clients who fail to provide a valid contingent IRA beneficiary may have a default beneficiary provided under the IRA adoption agreement that was signed when the account was opened. In many situations, the probate estate for the original account holder would be the contingent beneficiary, ultimately assuring that a probate estate would be required absent a surviving spouse. Lastly, the appointment of an 'estate' as a beneficiary - either through your own decision, or as a default - limits beneficiaries concerning the choices that *they* may have following your death.

What do we suggest? Make sure that your accounts are appropriately designated with the names of beneficiaries, both on a primary *and* a contingent basis. Assets that can be held in the name of a trust *should* be held within the name of your trust. Many investors feel that looking at the individual investments within the account is what a portfolio review should largely encompass expecting that the beneficiary designations are correct. However, it's not a bad idea to, as Ronald Reagan had believed, 'trust but verify' that the

information is correct. The probate process isn't necessarily the end of the world, but as one attorney had said, 'A will is simply the directions to the courthouse for some families.' Ultimately meaning, probate court involvement begs for a family fight.

Give our office a call to discuss if you have any questions or concerns whether or not your assets have any chance of probate involvement. It's a fairly simple roadmap for us to follow and easy to determine. OM