

Financial Plan for: Mark and Liz Chase

ISSUES	IMPLICATIONS	RECOMMENDATIONS
Choice of Residency	<p>You are both PA residents. When Mark retires in five years, you plan to become Delaware residents and reside in your Delaware shore home. The home is currently valued at \$1,650,000. PA maintains a 4.5% inheritance tax on transfers to a non-spouse.</p> <p>Delaware does not impose an estate or inheritance tax. It does, however, impose a 1.75% probate fee on assets that pass through your probate estate.</p>	<p>Consider retitling your Pennsylvania home to a Delaware limited liability company (LLC) to avoid PA inheritance tax. Ownership of an LLC is considered personal, and not real, property, and thus IS not subject to the PA inheritance tax.</p> <p>You may wish to place your assets in a lifetime trust to avoid the probate fee once you become Delaware residents, but only after you retire. This way, you will be subject to PA's lower income tax (3.07%) as opposed to Delaware's 6.6% on taxable income over \$60,000.</p>
Liquidity	<p>If Mark were to die during the next five years, your expected income would drop significantly. Liz may then be forced to sell real estate or other assets to retain her lifestyle.</p>	<p>One common way to avoid such a possible loss of income is to purchase a life insurance policy on Mark's life. For example, a \$3 million policy could be held in an irrevocable life insurance trust which will be the beneficiary of the policy proceeds. This will avoid inclusion in your estate. Liz can be the co-trustee and receive all income from the trust, 5% of the principal each year, and support for health, maintenance, and support.</p>

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Liability Risk	You have several properties currently owned in your individual names or owned jointly. In the event you were to be sued — for any number of reasons in a litigious society — your personal assets would be placed at risk. Your current “umbrella” insurance coverage is \$2 million.	Consider purchasing an additional \$3 million in “umbrella” coverage. As it is generally preferable to have personal assets held in an LLC or trust, you should consider retitling your Delaware shore rental into a Delaware LLC. Since you have a \$280,000 mortgage on this property, we will need approval from Wells Fargo which will require your personal guaranty. Your Maryland properties and boat slip can be retitled into a Maryland LLC. One of the properties still has a mortgage with PNC, so we will wait on the transfer of that property until it has been fully satisfied (which will be later this year). Liz should be the majority owner of both LLCs, with Mark holding a 1% ownership interest so he can serve as manager of these entities.
Education Funding for Grandchildren	You have expressed a desire to help fund the education for your three grandchildren.	Establishing and funding Section 529 Plans for your grandchildren will enable those assets to grow tax free. Although not recommended at this time, you can gift up to \$150,000, per year, per grandchild, without reducing your federal estate and gift tax exemptions.
Updating of Wills	Each of you leave your assets to the survivor of you, which then pass to your two children, Robert and Stephen, in equal shares.	We discussed the possibility of placing assets passing to Robert and Stephen in a trust. This will protect the assets from a spouse in case of divorce, as well as other creditors or imprudent management of the assets. We can further discuss at what age the trust assets would vest. Each child should have a power of appointment through which they can transfer trust assets to their children, either outright or in trust.

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Choice of Executor and Trustee	You stated that Robert and Stephen are financially responsible and have a strong sibling relationship.	Each you will serve as executor of the estate of the first of you to die. Robert and Stephen will serve as successor executors. The Private Trust Company can serve as trustees for the trusts to benefit your children and, if needed, your grandchildren.
Powers of Attorney	Each of you will serve as attorney-in-fact for each other, but you have not decided whether Robert or Stephen will serve as successor.	Decide which child will serve as successor attorney-in-fact and the other child will be successor.
Medical Directives	You have not updated your living wills and health care proxies for several years.	We will update your living wills. You name each other as health care proxy, but we need to select whether Robert or Stephen will be successor.
Investment Management	We have not analyzed your current investment portfolio, other than the titling of the accounts and a general understanding of your asset allocation.	Over the next several weeks, we will run an extensive analysis of your holdings and make recommendations. If you would like us to be more involved in the active management of your portfolio, we can manage the assets. Our fee is a percentage of the assets under our management, and will include the planning services we are currently providing.