

Asset Management & Protection

This Online Course

10 Weeks

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Today's Objectives

- What is Asset Protection?
- What does a Trust Officer and Asset Manager do? Job Description.
- What is going on with Estate planning
- Trusts? Why?
- Portability
- Disclaimers
- Tax Changes
- 2010
- 2011 Taxes
- Discussions

Job Example from Monster.com

- **Asset Management Services**
- Provides fiduciary guidance and training as necessary to assist and develop peers and financial advisors.

Trust Relationships

- Administers the largest and most complex trust relationships. Interacts with high net worth and ultra high net worth clients, their families and advisors (e.g. attorneys, CPAs) to insure complex financial and estate plans are properly implemented. Understands client needs and trust and wealth planning strategies and incorporates such knowledge into the relationship objectives.

More

- Reviews trust documents and provide recommendations as to suitability to trust management. Reviews trust documents drafted by clients' estate planning attorneys to ensure compliance with legal requirements, including internal trust administrative provisions. Recommends alternatives to clients that are consistent with internal requirements and client objectives.

More

- Provides trust operations with information necessary to properly establish new accounts on the trust accounting system, including tax and fee coding, and establishment of beneficiary statements and distributions. Insures that all documents necessary for proper account administration, including prior year tax returns, tax worksheets, estate and gift tax returns, etc., are obtained from the prior trustee. Once the account is funded, ensures that the cost basis is accurately updated.

More Trust

- Supports financial advisors by processing and coordinating fiduciary actions including discretionary distributions, document interpretation, tax compliance and account maintenance. Prepares a synopsis of each trust document, summarizing the relevant administrative and dispositive provisions of the trust for use by financial advisors. Maintains all fiduciary and administrative documents and history for each client relationship as necessary for administrative management, continuity, and support of regulatory reviews by the Office of the Comptroller of the Currency (OCC).

Trust Job

- Performs periodic administrative account reviews (PAARs) of trust accounts to ensure compliance with the terms of the trust document and all applicable laws, regulations, and internal policies. Reviews findings with management and the assigned trust administrator. For his or her own accounts, insures that any issues identified in PAARs completed by other trust administrators are addressed and corrected as appropriate.

Job

- Reviews all transactions in assigned trust accounts daily to insure accuracy, appropriateness, proper tax coding, and adequate transaction description. Reviews periodic account maintenance reports to insure the accuracy and appropriateness of any changes.

Trust job

- Maintains an in-depth understanding of compliance, regulatory and departmental policies and procedures including the requirements of the Bank Secrecy Act (BSA) and Asset Management Services (AMS) internal BSA compliance and anti money laundering policies and procedures. Maintains and enhances knowledge of all aspects of trust administration. Understands and can discuss in detail advanced estate planning techniques with clients and attorneys. Maintains thorough, current knowledge of all areas of AMS. Monitors and understands changes in tax statutes and related estate planning techniques.

Job

- Looks for opportunities for proactive communication with financial advisors and clients, providing qualitative, professional, and creative suggestions and assistance when discussing administrative, tax, and wealth planning issues.
- - Participates in special projects and performs other duties as assigned.

Qualifications

Only U.S. citizens, lawful permanent residents, or others with the permanent right to work in the United States will be considered for this position. Employment is also contingent on a successful drug-screening result.

- The ideal candidate should possess:
 - - An undergraduate degree (business discipline preferred).
 - - Five years or more of personal trust administration or closely related experience.
 - - JD, MBA, LLM or Certified Trust and Financial Advisor or CFP (or willingness to pursue) preferred.
 - - Strong verbal and written communication skills.
 - - Broad knowledge of trust, banking and investment industry is preferred.
 - - Previous experience with trust accounting and tax reporting system preferred.

Forbes Article ...Married, With Assets

[Deborah L. Jacobs](#),

- Estates
- Each person Gets 5 million this year and next.
- Other examples

The New Estate Tax Law

- First, it raises each individual's lifetime exemption from federal estate and gift tax for transfers to nonspouse heirs to a hefty \$5 million, from \$3.5 million in 2009 and only \$2 million in 2008. Second, it makes the exemption "portable" between spouses--meaning a surviving spouse can add any unused exemption of her just-deceased spouse to her own \$5 million exemption. So a widow or widower can pass on as much as \$10 million, untaxed, through either lifetime gifts or bequests.

Portability

- Portability isn't automatic. To get it, the executor of the estate of the first spouse to die must file an estate tax return, even if no tax is due. Surviving spouses should get this return filed even if they have nowhere near \$5 million of their own, because someday, who knows? Portability also isn't retroactive, so it's no help to those who lost spouses before 2011.

More on New Estate Tax Laws

- Also, it doesn't apply to the \$5 million per person exemption from "generation-skipping" tax--the extra tax imposed on gifts to grandkids whose parents are still alive.
- That means the truly rich will want to use up their own \$5 million exemptions, likely through gifts in the next two years.

Article

- Wealthy client married to a woman who has less than \$1 million of her own. Both have children from prior marriages. They are considering an arrangement in which she'll share \$4 million of her own lifetime gift tax exemption with him (this process is called gift-splitting) so he can give more to his kids now, tax-free.

States that tax your estate

- Currently 16 states and the District of Columbia impose estate taxes, and most have exemptions of \$1 million or less. In January Illinois adopted a tax with a \$2 million exemption, joining Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, North Carolina, Ohio, Oregon, Rhode Island, Vermont and Washington State on the tax list. No state now has portable exemptions.

Bypass Trust

- If you're affluent, but not truly rich, your current estate plan likely includes a bypass or family trust--a legal concoction designed to preserve the estate tax exemption of the first spouse to die, without leaving the survivor short of funds. At the death of the first spouse, an amount up to his exemption goes into a trust for the kids. The surviving spouse has access to the earnings (and in some cases principal) of the trust, but the money isn't hers outright and bypasses her estate when she dies.

A reason to keep a Bypass trust

- Those who want to provide for both a current spouse and children from an earlier marriage might still use bypass trusts to make sure their kids don't get disinherited if a stepparent turns evil.

Do you need the trust?

- "The majority of my clients would choose not to have a bypass trust if it were not necessary to save estate taxes."
- A good Will might be best.
- The new estate law expires at the end of 2012. If Congress doesn't act before then, not only will portability lapse but the exemption amount will revert to \$1 million and the estate tax rate will increase to 55% from the current 35%.

Disclaim

- Lawyers are now touting an idea they used to belittle: disclaimer trusts. You leave everything to your spouse outright, but give the right to disclaim (turn down) all or part of the inheritance and have it go into a bypass trust, allowing survivor to make an informed decision based on finances and the latest federal and state estate tax laws.
- Can be used as an asset protection technique if heir has debts.
- Outlive? 60-90 Days?

Turbo Tax - Summary of Tax Key issues 2011

Lower Tax Rates Extended

- The 2010 Tax Relief Act extends through the end of 2012 the tax rates in effect in 2010. They had been scheduled to increase to the higher tax rates that were in effect prior to 2001.

Estate Tax

- For individuals dying after 2010, the federal estate tax continues with a \$5 million exemption and a 35 percent maximum rate. The current federal estate tax rules are scheduled to end after 2012.

Cap Gains and Child Credit

Lower Capital Gains and Dividend Tax Rates Extended Through 2012

- The tax rate reductions for long-term capital gains remain in effect for 2011 and 2012.

Child Tax Credit

- The credit of \$1,000 per eligible child continues through 2012. The credit was extended by two years by the 2010 Tax Relief Act.

Payroll and 179 going forward

Payroll Tax Credit

- Starting in 2011, the partial credit for payroll taxes paid by employers is no longer available.

Section 179 Expense Deduction

- The \$500,000 maximum amount of equipment placed in service that businesses can expense and the annual investment limit of \$2,000,000 remain in effect for 2011.

Credits going forward

Tax Credit for College Tuition

- The American Opportunity Tax Credit remains in effect through 2012.

Earned Income Tax Credit (EITC)

- Temporary increases in the Earned Income Tax Credit for filers with three or more children and the higher income levels for the phaseout of the credit have been extended through the end of 2012.

Other deductions and credits

Mortgage Insurance Premiums

- The special itemized deduction for mortgage insurance premiums paid on mortgages taken out after 2006 expires on Dec. 31, 2010.

Credit for Energy-Saving Home Improvements

- The 30 percent tax credit of the cost of energy-saving home improvements was extended by the Tax Relief Act of 2010 through 2011.

Debt

- **Starting in 2013**

Tax Relief for Taxpayers Who Lose Their Homes Due to Foreclosure Expires

- Beginning in 2013, debt forgiven in connection with the foreclosure of a principal residence will once again be considered taxable income (unless you are in bankruptcy or insolvent).

\$8,000 for First-Time Homebuyers and \$6,500 for Existing Homeowners

- **Started or Continuing in 2010**
- **Tax Credit of up to \$8,000 for First-Time Homebuyers and \$6,500 for Existing Homeowners**
- The Congress and the Obama Administration extended and expanded the wildly popular 2008 first-time homebuyer tax credit. In addition, the income limits were increased, making even more people eligible.

Standard Deductions

- For 2010, the standard deduction for married taxpayers filing a joint return is \$11,400, the same as in 2009.
- For single filers, the amount is \$5,700 in 2010, up by \$250 over 2009. Heads of household can claim \$8,400 in 2010, up \$50 from 2009.

Personal Exemptions

- For 2010, each personal exemption you can claim is worth \$3,650, the same as in 2009.

Phaseout Relief

- **Income Phaseouts for Itemized Deductions and Personal Exemptions for High-Income Taxpayers**
- The amount of itemized deductions and personal exemptions you can take are normally phased out as your income rises. In 2010, however, those income limits have been repealed, and the recent tax relief act extends the repeal for two more years, through 2012.

Biz Expenses 2010

- **Section 179 Expense Deduction**
- The maximum amount of equipment placed in service in 2010 and 2011 that businesses can expense was increased to \$500,000. And the annual investment limit was raised to \$2,000,000. Thus, you won't begin to lose the benefit of expensing until you place more than \$2,000,000 of assets in service in 2010 and 2011. The allowance drops to \$125,000 for tax years beginning in 2012.

Other goodies and gifts

- **Higher Annual Gift Tax Exemption**
- For 2010, you can give up any individual up to \$13,000 without owing any gift tax.

- **Tax-Free Parking for Employees**
- Companies can pay for \$230 a month of parking tax-free for employees. The cap on tax-free transit passes is now \$230 a month as well, the same as for parking

Donations

- **Direct Donations of IRAs to Charity**
- IRA owners age 70½ and older can donate up to \$100,000 of their IRAs to charity through 2012 without having to report the withdrawal as income and deduct the donation as a charitable contribution. Deductions will not be limited by the Adjusted Gross Income cap on charitable contributions or the itemized deduction phaseout. Keeping IRA distributions out of adjustable gross income in the first place can also have other benefits. Amounts donated in this way count as all of part of the IRA owner's required minimum distribution.

Contribution Limit

- **Contribution Limit for 401(k) Plans**
- The maximum employee contribution is \$16,500 in 2010 for 401(k) and similar workplace retirement plans, including 403(b)s and the federal Thrift Savings Plan. Workers age 50 and older in 2010 can put in an additional \$5,500, making their maximum \$22,000.

2010

- **Tax Rate on Capital Gains**

The tax rate on capital gains from the sale of assets held longer than one year remains at zero percent for people in the 10 percent or 15 percent tax brackets. The 15 percent maximum tax rate on long-term capital gains for taxpayers in higher brackets also remains the same.

- **Tax Rate on Dividends**

Similarly, the special 5 percent maximum rate on dividends of taxpayers in the 10 percent and 15 percent tax brackets remains at zero percent.

2010 Estates

- **Estate Tax Exemption**
- For 2010, there is no federal estate tax. However the executors of estates where the taxpayer died in 2010 can elect to apply the 2011 exemption of \$5,000,000, with a maximum estate tax of 35%. Different rules for the step up in cost basis apply in these two years, meaning some estates may find the 2011 rules more beneficial. The estate tax was reinstated in the 2010 Tax Relief Act.

Tuition

- For 2010 through 2012, the Hope credit is replaced by a new credit. Now called the American Opportunity Tax Credit, it provides a credit of up to \$2,500 per student per year for four years of college. It now also covers the cost of books, and begins to phase out at \$80,000 of Adjusted Gross Income for single filers and \$160,000 for joint filers. If the credit is more than your income tax liability, 40 percent of it is refundable. Also, the full credit is allowed against the Alternative Minimum Tax.
- **College Savings Plans** - 529 College Savings Plans can now be tapped tax-free to pay for a computer or Internet access.

Educators' Deduction

- You can deduct up to \$250 (\$500 if married filing joint and both spouses are educators, but not more than \$250 each) of any unreimbursed expenses you paid or incurred for books, supplies, computer equipment (including related software and services), other equipment, and supplementary materials that you use in the classroom. You must have worked at least 900 hours a school year in a school that provides elementary or secondary education.
- This deduction has been extended through the end of 2011.

Deduct Tuition

- **Tuition and Fees Deduction** - You can deduct up to \$4,000 of college tuition and fees through 2011.
- **Exemptions for the Alternative Minimum Tax** For 2010, the exemption levels were increased to \$72,450 for married couples filing jointly, \$47,450 for singles and heads of household, and \$36,225 for married couples filing separately.
- **Partial Exclusion for Unemployment Benefits** For 2010, the first \$2,400 of unemployment benefits you receive is no longer tax-free.

Class Discussions

- Thanks to everyone who made posts to the discussions this week.
- We have a new discussion posted there for this week.
Asset Protection?

End of Class

- Thanks for being here, and see you next Wednesday.

Kindest Regards, George Mentz, JD, MBA, CWM, QFP

References

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