



GOING LONG

Detterbeck Wealth Management, Inc.



AUGUST 2002

ESTATE PLANNING FOR THE VERY ELDERLY

By Les Detterbeck

The very elderly, particularly those with large and potentially taxable estates, who have done little planning in the past, often appear to have limited options. Typical “solutions” like investing in life insurance, giving much of the estate to charity, living long enough to see estate tax repeal, or making large lifetime gifts may be unworkable solutions for the very elderly. In addition, there generally are additional concerns such as an extremely short life expectancy, the need to retain assets to maintain lifestyle, or a resistance to expensive, aggressive or complicated planning techniques.

There are a number of potential planning techniques that may work for the very elderly:

Annual Gifts. Individuals can give \$11,000 per year per person to as many beneficiaries as desired. An individual with two married children and four grandchildren could give away \$88,000 per year with no gift or estate tax consequences. If this individual was married, the couple could

give away \$176,000 annually without tax. Assuming gifts were made in December 2002, January 2003 and January 2004, gifting could be tripled (that is \$264,000 or \$528,000 in our examples) in a thirteen-month period. These gifts can be further leveraged using family limited partnership or other discounting strategies.



Taxable Gifts. Individuals can make gifts above the \$11,000 per year per person and either pay gift tax or reduce their overall applicable exclusion amount. High basis property that is expected to appreciate is a good candidate for this technique. Appreciation goes to future generations and gift taxes paid reduce the estate.

Qualified Personal Residence Trust (QPRT). This technique allows the personal residence to be transferred at discounted values and keep the appreciation of the house out of the estate. One of the downsides of this

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Warren Buffett's Imaginary Business Partner: Mr. Market

By Brett Detterbeck

Billionaire investor Warren Buffet offers this argument in stressful times:

Imagine that you have a partner in business named Mr. Market. Mr. Market has some wonderful qualities. He always has money to buy your shares, and he is always willing to sell his shares to you at some price. Unfortunately, Mr. Market is not emotionally balanced. Some days he comes in bouncing off the walls, offering to buy your shares at an extremely high price, while other days he comes in weeping, ready to sell you his shares at a very low price. The one thing to remember is that Mr. Market is very emotional, and not to make the mistake of getting irrationally exuberant or utterly depressed along with him. Sell



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Flashback to May 6, 1932 -

- the day, **Dean Witter**, one of our most successful investment brokers proclaimed:



“All of our customers with money must some day put it to work – into some revenue producing investment. Why not invest it now, when securities are cheap? Some people say they want to wait for a clearer view of the future. But when the future is again clear, the present bargains will have vanished. In fact, does anyone think that today’s prices will prevail once full confidence has been restored? Let us face it – these bargains exist only because of terror and distress.

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strategy is that if the individual fails to survive the term of the QPRT, then the house is included in the estate and the strategy achieves nothing. Alternatively, the home could be sold to a trust on an installment basis. Under these circumstances, the elderly individual would pay rent and receive monthly note payments of roughly identical amounts. Using the sale format, only the unpaid balance would be included in the estate and a "step-up" in basis would occur.

Life Insurance. Some very elderly individuals have large insurance policies that threaten to dramatically increase the estate tax upon death. If a policy is transferred within three years of death, the face value is included in the decedent's estate. Therefore, transfers to an irrevocable life insurance trust more than three years before death or the sale of the existing policy for its fair market value (an amount less than the death benefit) can prove beneficial.

Other. Other potential strategies for the very elderly client may include charitable lead trust strategies, direct payment of tuition and medical expenses for family members, college savings plans and intentionally defective grantor trusts.

If you are or if someone you care about is very elderly and you are concerned about the estate tax ramifications, don't give up hope. There are some strategies that may prove to be powerful and appropriate planning options. Please give us a call.



MR. MARKET (Continued from page #)

him shares when he offers you much for them, and buy shares from him when he is selling his shares cheaply.

Follow Mr. Buffett's advice and maybe you too can be a billionaire investor...



DEAN WITTER (Continued from page #)

And when the future is assured, the dollar will have long since lost its present buying power. It takes courage, of course, to be optimistic about our country's future when nearly everyone is pessimistic. But it is cowardly to assume that the future of the United States is in peril."

Words of wisdom that, even though spoken 70 years ago, are just as strong today...



BIRTH ANNOUNCEMENT:



Jackson Andrew Detterbeck
Born: 9:39am, July 8, 2002
Weight: 8lbs., 8oz.
Length: 21 7/8 inches

Proud Parents: Brett & Aimee Detterbeck
Proud Grandparents: Les & Elise Detterbeck

Congratulations to a new player on the Detterbeck team!



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