IN THIS ISSUE

Trust UPDATE

Stillman BANK

Trustee selection

What is the most disrespected decision in estate planning?

Traditionally, the hot button for estate planning has been the reduction of federal and state death taxes. That tradition is largely over. By one estimate, only 2,000 estates will be large enough each year to owe federal estate taxes, now that the amount exempt has been set permanently at $5 million ($5.34 million, this year, with inflation adjustments).

But that doesn't mean estate planning is no longer needed, it just means that planners will need to find a new hot button to motivate affluent people to take action. The larger exemption also does not mean that trusts won't be useful in estate planning. A family trust established to provide professional asset management coupled with fiduciary supervision of trust distributions will, for many families, be as valuable today as it was when it did double duty, capturing the value of the federal estate tax exemption.

The advantages that trusts offer in sound wealth management may be squandered if one critical choice is not taken seriously. That choice recently was explored by estate planner Charles Redd, writing in *Trusts & Estates* magazine. His article is titled "The Most Disrespected

Decision in Estate Planning." The decision that all too often gets short shrift is the choice of trustee.

Basic questions

Attorney Redd counsels that the first step in trustee selection is to analyze the trust for which the trustee will take responsibility. He asks these questions:

- What are the purposes of the trust?
- Who will be the beneficiaries of the trust?
- What are the dispositive provisions of the trust?
- How long will the trust last?
- What kinds of assets will be held in the trust?
- How large will the trust be?

There are some circumstances in which a trusted individual, even a family member, may be appropriate as trustee. For example, managing a shorter duration trust that holds uncomplicated assets may not be too difficult for someone to take on as an extra job. Larger trusts with longer expected durations will benefit from employing a corporate fiduciary, such as us. This is doubly true for trusts that have competing beneficiaries, whose interests may at times clash, because fiduciary judgment will come into play.

Qualifications

Next, Attorney Redd turns to the specific characteristics that good trustees have.

Experience and expertise. The more that a trustee can do, the less need there will be to engage expert agents.

Free of conflict of interest. In general, the trustee should not be a beneficiary, nor should the trustee have an economic stake in the trust assets.

Permanence. The age and health of a proposed trustee must be taken into consideration, unless one is choosing a corporate fiduciary.

Location. Close geographic proximity to the beneficiaries is not required, but it can be helpful in trust administration.

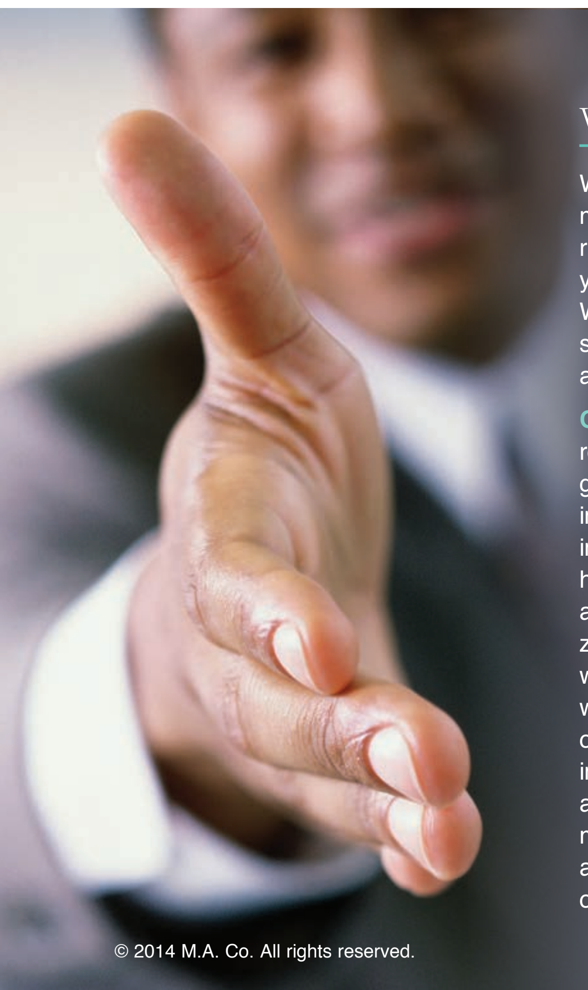
Payment. Trust administration is not expensive, as investment services go, but neither is it free. The trustee should expect to be compensated.

Accountability. Should there be trust maladministration of some sort, can the trust and the beneficiaries be made whole? Attorney Redd suggests that the answer is "yes" with a corporate fiduciary, but with an individual trustee, in many cases, the answer could be "no."

May we tell you more?

We are well qualified for all the tasks of trusteeship. It is a job that we do every day, with our full attention. We are staffed for it, experienced and always ready to serve.

When you are ready to take the serious step of including a trust in your long-term financial and wealth management plans, please call upon us to learn more about how we may be of service to you. We look forward to answering all of your questions. ☐



What we bring to the table

We'd like to be able to say that we have a magical solution to every investor's needs right now. We don't. No one does. And you probably already understand that. What we do have are trust and investment services that are objective, personalized and comprehensive.

OBJECTIVE. Our investment advice reflects the same high standards that guide our work as trustee. We don't deal in exotic financial engineering; we invest in instruments that ordinary people have heard of and can understand. To remove any chance of conflict between our organization's interests and our client's interests, we do not work on commission. Instead, we charge moderate annual fees, based on the market value of our clients' holdings. When the dollar value of a client's account grows over the years, we receive more dollars of compensation. If a client's account shrinks in value, so does our reward.

PERSONALIZED. As we see it, our business is not simply managing investment programs. Our business is helping people—helping our clients achieve their financial goals. We've learned that serious investors can't settle for a "one size fits all" approach. We see each of our clients as possessing a unique mix of financial facts, family circumstances and personal goals. The better we understand each client's unique situation, including his or her tax picture, the better our chances of retaining the client's business for many years to come.

COMPREHENSIVE. In addition to providing our investment clients with unbiased guidance, we keep accurate records, submit detailed statements and safeguard securities under strict audit control—all for moderate fees that can be substantially lower than the fees at some other firms.

Q&A on Social Security

Do you know all that you need to know about your potential Social Security benefits? Not many people can answer yes. The Social Security Administration provides a treasure trove of useful information on its Web site, including a compendium of common questions and answers. Here are some samples, based upon their offerings.

What is the average Social Security benefit? How about the maximum and minimum?

As 2014 began, the average monthly benefit for all retired workers was $1,294. The maximum benefit for someone retiring at full retirement age, who had paid maximum Social Security taxes since age 21, was $2,642. However, for an individual who waited until age 70 to collect benefits, the maximum was $3,425. On the other hand, someone who retired at age 62 had the maximum benefit reduced to $1,992.

What is the earliest age for receiving retirement benefits?

Early retirement benefits may begin at age 62. Although higher normal ages for receiving full Social Security benefits are being phased in, the early retirement age has not been changed. However, the "cost" of early retirement, the reduction in lifetime benefits, gets larger as the full retirement age rises.

What is the full retirement age now?

For those born in 1949, who are turning 65 in 2014, the full retirement age is 66, so they must wait until next year to being drawing full benefits. Those born in 1960 and later years have a full retirement age of 67.

What happens if I delay retirement?

A delayed retirement credit is awarded for each year (up to age 70) that benefits are delayed beyond the full retirement age. Those born in 1943 and later years may receive an 8% increase for each full year of delay.

Will I have to pay income tax on my Social Security benefits?

If you file as an individual, and your income is more than $25,000, yes, a portion of your benefits will be taxable. For married couples filing jointly, the threshold is $32,000.

How much does a widow or widower receive?

A widow or widower who is at full retirement age or older will receive 100% of the deceased spouse's basic Social Security benefit. Younger widows or widowers may receive reduced benefits as early as age 60.

How much can a divorced spouse receive?

After ten years of marriage, an individual acquires rights in his or her spouse's Social Security record. The maximum benefit is 50% of the amount that the worker would receive at full retirement age. For the divorced spouse to begin receiving benefits, he or she must be at least age 62, and the worker must be eligible for benefits (even if not receiving them).

Eligibility for these benefits generally is cancelled if the divorced spouse remarries before age 60, unless the later marriage terminates.

How long must I be married to collect widow's or widower's benefits when my spouse dies?

The marriage must have lasted for nine months before the worker's death. The requirement is waived for accidental deaths and for deaths occurring in the line of duty while a member of a uniformed service.

If I leave the U.S., can I continue to receive benefits?

Travel to, or even retirement in, a foreign country does not affect your eligibility to receive Social Security benefits if you are a U.S. citizen. However, there are a few counties (Cuba and North Korea, for example) where the Social Security Administration cannot send Social Security payments.

What about same-sex married couples?

Social Security is now processing some retirement, surviving spouse and lump sum death payment claims for same-sex couples and paying benefits where they are due.

When should I sign up for Medicare benefits?

Most people file for Medicare benefits three months before they turn 65. The benefits begin no earlier than age 65.

Can I apply for Medicare benefits late, after age 65?

Each year from January 1 though March 31, there is a general enrollment period, with benefits commencing on July 1 of that year. Those who never signed up or who dropped their Part B Medicare coverage may take advantage of this enrollment opportunity. Generally, a 10% premium penalty will apply for each year that the person could have enrolled but did not. ☐

IRS impersonators

Some days, you just don't know whom to trust.

A disturbing report was delivered in August by Timothy Camus from the Treasury Inspector General for Tax Administration (TIGTA). A growing number of con artists are posing as IRS agents, and at least 1,103 taxpayers have fallen for the scam so far. They've lost more than $5.25 million. TIGTA tracked more than 91,000 suspicious contacts in just one year. Said Mr. Camus, "I've spoken to people about identity theft, and though it continues to be a big, big problem, I think this impersonation scheme has overtaken it, in terms of impacting a broad number of people with large dollar amounts."

The scams are typically done over the telephone, but e-mail also may be used to buttress the con. The criminals may have acquired the target's Social Security Number or the last four digits of it, which enhances their credibility. They have learned to "spoof" the caller ID system, so their calls appear to originate from an IRS office.

Usually, a con man has to be polite and persuasive to succeed, but in this scam the IRS impersonator is downright abusive, threatening deportation or driver's license suspension if "taxes" are not paid immediately. Sometimes a confederate will make a follow-up call to the target, posing as a police officer or official from the department of motor vehicles.

One tip-off that a fraud is under way is that these scamsters often insist upon being paid in prepaid debit cards. They even may suggest the source for obtaining the cards, with directions. The IRS does not accept prepaid debit cards for tax payments.

More importantly, the IRS never "cold calls" delinquent taxpayers. The agency makes contact by mail or in person first. Deportation and driver's license suspension are not among the IRS enforcement tools.

The IRS impersonators have been detected in every state. The top five, said Camus, are California, New York, Virginia, Texas and Florida. Taxpayers who have been contacted by telephone by someone purporting to be from the IRS should call the IRS at 800-829-1040 to confirm their tax obligation. Taxpayers who are confident that they do not owe taxes should report the fraud to TIGTA at 800-366-4484. ☐

Quotable

"Help with a down payment on a reasonable mortgage is probably better than buying your kids a house (or a car, or a stock portfolio, or regular cash infusions). You want to give them the tools to build a prosperous life, but if you subsidize the life itself, they'll end up building lives they can't really sustain without your help."

—Megan McArdle