Estate Planning Council of the Fun Coast, Inc.

An Estate Planning Case Study of Ideas, Opportunities & Concerns in Our Current Planning Environment

Panel Discussion July 26, 2011:

- Bradford B. Gornto, J.D., LL.M. – (Estate Planning Attorney)
- Sherry Burger, CFP CTFA First Vice President & Trust Officer of Suntrust Banks (Trust Officer)
- Joseph M. DeRosa, CLU, ChFC from The Executive Compensation Group (Financial Advisor & CLU)
- William Ward – Director of Community Foundation of Volusia and Flagler Counties (charitable advisor)
- Mary Greenlees - Partner at Olivari & Associates, CPA's & Consultants (accountant)

Case Study Fact Pattern: **NOTES:**

Family:

Henry and Wendy are 66 and 57 years old respectively. They have been happily married for over 10 years, however this is a 2nd marriage for both of them. While they have no children from their current marriage, Henry has four adult children from his 1st marriage (Debbie, Steve, David and Kathryn), which ended in divorce, and Wendy has no children from her first marriage, which ended in the death of her first husband. Unfortunately, none of Henry's children have a good relationship with their step-mother Wendy. Three of Henry's children are married and have children of their own. Henry's son, Steve, suffers from a rare brain disorder that causes seizures and other disabilities. Steve can not live independently or work. He has lived with Henry his whole life and is receiving SSI disability and Medicaid benefits. Henry's daughter, Debbie, is a very accomplished OB/GYN and has accumulated a significant net worth of her own (over $5 million). Henry has 6 healthy grandchildren, whom he loves deeply and wants to help in their future education.

Background:

Henry and Wendy are both Florida residents. Henry is a physician who has practiced family medicine in the Volusia County area for nearly 30 years in partnership with 2 other physicians. The physician practice has a corporate book and some kind of shareholder agreement, but Henry has not looked at it in over 15 years. He is looking to retire in the next year or so. Henry wants to make sure his disabled son Steve is taken care of for the rest of his life. He also wants his wife Wendy to be "cared for" for the rest of her life, but upon her death he wants to make sure all of his wealth passes to his four children. However, Henry does not want to pay any estate taxes, if possible. Henry's health is below average, he has high blood pressure and suffered his 2nd "minor" heart attack last year.

Wendy is not currently employed, but volunteers a tremendous amount of her time at various charities, including a drug addiction recovery center for which she is also a Board Member. Wendy had a successful career as a writer during her marriage to her first husband. Since she has no children and Henry has significant assets of his own, she has several charities (including the recovery center) that she wishes to benefit upon her death. She does not know how her charitable intent can be best accomplished.

Assets:

-Henry has a net worth of approximately $4,000,000. His assets are as follows:

Florida residence:	$ 750,000
Vacation Home in Colorado	$ 500,000
Brokerage Account ("TOD" to 4 children)*	$ 800,000
Mostly growth stocks	
Cash, CDs and Savings Accts. ("TOD" to Wendy)	$1,000,000
Office Building (3 tenants including restaurant/bar)	$ 500,000
- Owned in his individual name	
Medical Practice Stock	$ 400,000
529 Plan for 2 Oldest Grandchildren	$ 50,000
TOTAL	$4,000,000

Henry also owns a $1,500,000 Universal Life Policy for which he has not paid any premiums for over four years, the agent he purchased it from is no longer in business.

-Wendy has a personal net worth of approximately $3,000,000, which includes a $1,000,000 IRA which she rolled over upon the death of her first husband. Additionally, she is also the beneficiary of a Credit Shelter Trust that was established upon the death of her first husband that is currently worth $700,000. The trustee of the Credit Shelter Trust is based in New York (after the local bank that was serving as trustee was acquired by a National bank) and is not responsive to her telephone calls and questions. Wendy is not pleased with the current administration and has never been adequately advised of the trust terms, particularly the trustee provisions and distribution provisions upon her death. Wendy has also not received a Form 1041 or Schedule K-1 from the trustee ever since the New York bank became trustee.

Brokerage Account (individually owned)	$1,300,000
Variable Annuity Investments	$ 250,000
Cash	$ 250,000
IRA (rolled over from 1st Husband)	$1,000,000
Art collection	$ 200,000
TOTAL:	$3,000,000

Credit Shelter Trust $700,000

- *Only pays her approx. $7,000 of net income each year*.

Harry's and Wendy's current Wills were each drafted during their prior marriages and have never been updated. Harry and Wendy do not have a prenuptial agreement of any kind. They have sought the assistance of a new attorney, accountant, private client advisor/trust officer, life insurance professional and executive director of local United Way endowment fund for advice on ways to best address their various estate planning needs.