

ATTORNEYS AT LAW

THE ANDERSEN FIRM

A PROFESSIONAL CORPORATION

2008 Annual Client Education

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The Andersen Firm's 2008 Annual Client Education Agenda

- I. Welcome**
- II. Updates on The Andersen Firm**
- III. Client Continuing Education**
- IV. Overview of Foundational Estate Planning**
- V. Dealing with Estate Taxes**
- VI. 10 Most Common Life Insurance Mistakes**
- VII. Process for Updating**
- VIII. Questions & Answers**

I. WELCOME

Bill Andersen – President and CEO

1. Please Mute Your Phone by pressing * 6
2. Hold All Questions Until the End of the Presentation.
3. Introductions of Firm members on the line.

II. Updates on The Andersen Firm

Rhonda Miller – VP of Operations

- A. New Tennessee Office Location
- B. New North Florida Office Location
- C. New South Florida Office
- D. New Tennessee Market Areas
- E. Joleen Searles has been admitted to Virginia
- F. Bill Andersen has received AEP designation
- G. Website Authored by Julie Garber:
<http://wills.about.com>

III. Client Continuing Education

Julie Garber – Chief Legal Officer

A. Gift & Estate Tax Reform:

- 2009 Estate Tax Exemption Amount: \$3.5 million
- 2009 Estate Tax Rate: 45%
- 2009 Gift Tax Annual Exclusion: \$13,000
- 2009 Gift Tax Lifetime Exclusion: \$1 million

III. Client Continuing Education

Bill Andersen – President / CEO

B. Predictions if Obama wins:

- Good chance Democrats will win the White House and both houses of congress.
- Expect Capital Gains Tax to go up to 28%.
- Perhaps as high as Ordinary Income Tax Rates.
- We will look back at the 15% era as the “Golden Era”.
- Obama has recently said he would lock the Estate Tax Exemption at \$3.5million per person with a 45% tax rate

III. Client Continuing Education

Erin Turner – Director of Continuing Education

Predictions if McCain wins:

- Decent chance Republicans will win White House.
- Alternative Minimum Tax permanently repealed.
- Bush Tax Cuts made permanent including \$5million estate tax exemption per person and a 15% tax rate.
- He will try and make it harder to raise taxes: Requiring 3/5 majority vote in Congress to raise taxes.
- Give only cost value tax deductions for charitable gifts – not appreciated value.

III. Client Continuing Education

Matt Harrod – Managing Attorney, North Florida Office

C. Homestead Property Held in Revocable Living Trust:

- Case law is very clear.
- Property held in Revocable Trust will qualify for Homestead protections.
- Will not lose creditor protections in bankruptcy.
- Must have a Homestead Waiver for tax planning.

III. Client Continuing Education

Bill Andersen – President / CEO

D. Asset Protection Planning-Dealing with the Housing Crunch:

- Benefits of Annuities
- Benefits of Wyoming L.L.C.
- Dangers of Offshore Planning

III. Client Continuing Education

Julie Garber – Chief Legal Officer

E. Inherited IRAs Not Protected:

- Creditors
- Bankruptcy
- Divorce
- Judgments
- Benefits of the IRA Inheritance Trust

IV. Overview of Foundational Planning

7 Components of a Foundational Estate Plan:

Bill Andersen – President / CEO

- 1. Revocable Living Trust**
- 2. Pour Over Will**
- 3. Durable Power of Attorney**
- 4. Living Will**
- 5. Health Care Power of Attorney**
- 6. Quitclaim Bill of Sale**
- 7. Funding**

1. Revocable Living Trust

This instrument contains in-depth instructions for your care if you become mentally disabled, and the care of your loved ones upon your death. Furthermore, it efficiently transfers your property to your loved ones at the time of your death, avoiding probate and allowing for the maximum utilization of estate tax exemptions.

2. Pour Over Will

Upon your death, your pour-over will leaves any property to you living trust that you did not re-title before your death. It functions as a safety net to makes sure property you neglected to place in your trust can ultimately be managed by your Trustees pursuant to your instructions.

3. Durable Power of Attorney

A durable power of attorney allows someone else to handle financial matters for assets in your individual name, particularly retirement plans. It is also used to put assets in your trust if you become mentally disabled prior to your trust becoming fully funded.

4. Living Will

This instrument directs your physician as to whether or not to cease life-sustaining procedures which would serve only to prolong your death if you are terminally ill. It gives guidelines for your physician to follow, as well as clarifies your intent as to life sustaining-procedures.

5. Health Care Surrogate / Health Care P.O.A.

This document designates a health care surrogate or health care power of attorney if you are incapable of making health care decision or providing informed consent. It must also account for HIPAA (Health Insurance Portability and Accountability Act) of 1996 to be effective.

6. Quitclaim Bill of Sale

The Quitclaim Bill of Sale is a one page document that places all your personal property without a title (i.e. furniture, jewelry, clothes etc.) into your trust, thus avoiding the need to probate your personal property.

7. Funding

Funding is the act of re-titling assets into the name of your trust. For a trust to be effective it must own the property it passes. Most assets not all will need to be re-titled into the trust thus avoiding probate and giving you mental disability planning. Funding a trust is just as important as creating the trust.

V. Dealing with Estate Taxes

Six Options for Paying the Estate Tax:

Joleen Searles – Managing Attorney, Tennessee Office

- 1. Pay the Tax**
- 2. Give it to Charity**
- 3. Spend it**
- 4. Gift it to Beneficiaries**
- 5. Advanced Planning Options**
- 6. Irrevocable Life Insurance Trust**

1. Pay the TAX.

- **This is the option that Uncle Sam wants you to choose.**
- **Upon the second spouses death any amount over and above federal exemption amount (currently \$2million) will be taxed at 45%.**
- **This is also true for any amount over and above state exemption amount for Tennessee residents (currently \$1 million) up to 9.5%fsdggfdsa**
- **Federal and State Estate Taxes are due 9 months after the date of death.**
- **Taxes can cause the sale of homes or even business.**

2. Spend It All.

- **This is the “FUN” option.**
- **Take long vacations.**
- **Buying depreciating assets such as cars, boats and airplanes.**
- **Buying assets such as homes will not reduce the size of the estate.**

3. Gift it to Charity

- **Giftting any amounts over the current exemption to charity (ies) will negate any federal estate taxes.**
- **This is the “Bill Gates & Warren Buffet” option.**
- **For most of us charity starts at home and we would rather see those monies go to our children and beneficiaries.**

4. Gift it to Beneficiaries

- A gifting program properly implemented and adhered to is a great way to pass wealth down to beneficiaries.**
- 2008 gifting exemption is \$12,000 per person per year.**
- 2009 gifting exemption is \$13,000 per person per year.**
- Gifting program must have enough time to have a real impact.**
- Will not be effective if started later in life.**

5. Advanced Planning Techniques

- **Over 60 different estate planning “techniques” that can reduce or even zero out estate taxes.**
- **Most will add a level of complexity to a person life.**
- **Attorneys fees can be substantial.**
- **More than make up for attorneys fees in tax savings.**

6. Irrevocable Life Insurance Trust.

- **Special Type of Trust designed to be the beneficiary of insurance and receive the proceeds.**
- **Insurance can be on the life of one spouse or both.**
- **Insurance has low cash value and a guaranteed death benefit.**
- **Proceeds from the policy are income and estate tax free.**
- **Adds liquidity to estates and can be used to pay estate taxes.**
- **Cleanest and simplest way to deal with the estate tax.**

VI. Ten Most Common Life Insurance Mistakes

Erin Turner – Director of Continuing Education

1. Not Checking Policy at least every 3years.

- **Life expectancy and IRS tables used to calculate premiums change and policies guarantees change.**

2. Naming Estate as Beneficiary.

- **If the estate is the beneficiary the proceeds could be subject to estate taxes.**

3. Term Insurance Becomes Costly as the Policy Ages.

- **The premium of term policy increases drastically late in the term.**

4. Naming Minors as Contingent Beneficiaries.

- **Minors cannot receive proceeds directly from insurance companies.**

5. Using Term Insurance for Permanent Needs.

- **The circumstances of our lives change and term insurance statistically will not cover the life expectancy of the insured.**

6. Not Updating Beneficiaries after Death or Divorce.

- **An ex spouse or deceased beneficiary named may cause the death benefit to be distributed to the wrong people.**

7. Amount of Coverage is Inadequate.

- **Needs of beneficiaries change over the years and the insurance benefits may need to be increased.**

8. Insurance is Owned in Individual Name

- **Owning insurance in your individual name could cause the proceeds to be subject to the estate tax.**

9. Not Reviewing Buy Sell Agreements

- **Life insurance is commonly used to fund buy-sell agreements between business partners. However, as the business grows, owners change and circumstances of life vary it is important to review and if necessary update the insurance in the buy sell agreement.**

10. Not Researching Your Needs and Uses of Life Insurance.

- **Many people have a visceral reaction to the term “life insurance”. However, it can be a powerful planning tool that should be at the very least explored.**

VII. Process for Updating

Rhonda Miller, VP of Operations

1. After the presentations are complete, a follow-up mailing will be sent to all clients in early August. This mailing will include:
 - An invoice for participation in the 2008 Annual Update Program
 - An estate planning review worksheet
 - A client satisfaction survey

2. Clients wishing to participate in the 2008 program should complete and return the worksheet to us along with their payment (if applicable). While participation is optional, it is an annual membership program. If you choose to skip a year, the missed year's premium(s) must be paid in order to re-enroll in the program.
 - If you signed your documents in 2008 no fee is due. 2009 will be your complementary year.
 - If you signed your documents in 2007, no fee is due. 2008 is your complementary year.

VII. Process for Updating

- If you signed your documents in 2006 or earlier and participated in the 2007 program, your fee is \$400.
 - If you did not participate in the 2007 program but would like to participate this year, please contact Rhonda Miller at 866-230-2206 to determine the appropriate fee.
3. We invite all clients to complete and return the survey regardless of their participation in the update program.
 4. The questionnaire will be reviewed to determine what type of changes, if any, are needed to client documents.
 5. The client will be contacted to schedule a meeting or conference with an attorney if updates are required.

VII. Process for Updating

Note:

The annual fee covers changes to your revocable trust agreement, pour-over will, and ancillary documents, as needed, due to changes in your personal situation. Such changes include changing trustees, successor trustees, beneficiaries, or specific bequests, or, in other words, changes or modifications that are purely word processing and do not modify the substance of the plan or require additional counseling or redesign of the plan.

VIII. Question and Answers

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