

## WILLMS, S.C.

LAW FIRM

### CLIENT NEWSLETTER OCTOBER 15, 2012

Over the past few weeks, our office has received many requests for advice as to what the tax laws will be at the beginning of 2013, what the healthcare system is going to look like in upcoming months, and when the economy will officially “recover.” Unfortunately, no one is able to answer these questions with a high degree of certainty. However, we can provide our clients with a variety of flexible planning techniques to consider that will allow for effective planning in a variety of political and economic situations.

#### Tax Planning Before the End of 2012

Many of the changes to the tax code that were adopted during George W. Bush’s presidency are set to expire at the end of this year. If Congress does not act to extend the so-called Bush tax cuts, the amount of federal estate taxes that many heirs will be required to pay could increase dramatically. In order to help our clients reduce the negative impact of these changes, Andrew Willms has written an article on year-end planning techniques. That article, entitled “Year-End Tax Planning,” is being distributed with this newsletter for your review. There is still time to effectuate many of these techniques, but that time is quickly passing. Therefore, if any of the techniques described interest you, please contact Atty. Andrew Willms as soon as possible.

#### Reviewing Your Annual Exclusion Gifting

At the same time that gift and estate tax exemptions are set to lower substantially (as discussed in the previous section), the annual gift tax exclusion may actually increase in the upcoming year. Currently, each person can gift up to \$13,000 to any other person each year without incurring gift tax liability or using part of their unified credit. Based on preliminary findings from the Research Institution of America, that number may rise to \$14,000 next year based on inflation figures.

While this does not provide immediate options for planning until that annual exclusion amount officially changes, it is a good reminder to periodically review any plan of gifting previously put in place. For example, clients who established irrevocable trusts or began gifting LLC units to heirs prior to 2009 would have been instructed that they could give \$12,000 per person per year. Prior to 2002, the annual exclusion amount was even lower. Therefore, if you have not revisited your documents to make sure that you are gifting the maximum allowed under the annual exclusion each year, you could be throwing away thousands of dollars in tax savings each year.

#### Planning for Special Needs Beneficiaries

After considering the implications of gifting on their own estate plans, we encourage our clients go one step further and consider the impact that their gift or bequest will have on

their heirs/beneficiaries. For example, many of our clients choose to pass wealth to their heirs in trust to protect against creditors of the heirs. Others include incentive provisions in trusts to help ensure that their children do not become unproductive upon receiving an inheritance. In the case of a beneficiary with special needs, planning becomes very important in making sure that a well-intended gift does not become a burden on the beneficiary by interfering with public benefits.

The article entitled, "[Assuring Care of a Family Member with Special Needs](#)," emphasizes the importance of a holistic approach when planning for a beneficiary with special needs. As stated above, the impact of a gift or inheritance on a beneficiary must be carefully considered. Additionally, the individual making the gift must remember to take their own needs into consideration. The cost of healthcare and relative uncertainty surrounding Medicare and Social Security means that setting aside large sums of money in an irrevocable manner for a beneficiary could jeopardize the donor's own financial security. If you have questions about this type of planning, please contact Atty. Jessica Bourke.

#### Leaving an Unconventional Legacy?

The article entitled, "[Will Wishes: The Unique and the Unusual](#)," serves as a reminder that estate plans can be as unique (or eccentric) as the individuals who make them. Examples in the article include bequests to pizza deliverymen, psychedelic drug research facilities, and alley cats.

On a more serious note, leaving a bequest to a cat or any other pet is not really an unconventional idea. In fact, we have worked with many clients over the years looking to provide for their pets after their own death. While leaving a large sum of money directly to an animal generally does not work, there are a variety of ways to work your pet's well-being into your estate plan. Please let us know if this is something you would like to learn more about.

#### Who's Who at Willms, S.C.

As many of you know, Atty. Jessica A. Bourke joined the Willms, S.C. staff in June 2011. Due to her recent marriage, her name is in the process of changing to Jessica A. Liebau. Therefore, in the very near future you may receive correspondence from, or find that your estate planning documents were drafted by, Jessica reflecting her new last name. Congratulations Jessica!

We hope you find the information included in this newsletter helpful. Please do not hesitate to contact us for more information about the topics in this newsletter.

Sincerely,

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*If you would like to stay up-to-date with the latest developments at Willms, S.C. through LinkedIn, please visit Andy Willms' LinkedIn page by clicking [here](#), Maureen O'Leary's page by clicking [here](#), and Jessica Bourke's LinkedIn page by clicking [here](#).*

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