

Winter

January
2018



In this Issue:

What the New Tax Laws
Mean for Your Estate Plan

RWay Forum

Who Will Inherit Your
Financial Wisdom?
Passing on More Than
Just Wealth

This Month in History

2018 RWay Symposium
Schedule

Beware Winter's Hidden
Perils

How did New Year's
Resolution's Start?

Mark Your Calendars



WHAT THE NEW TAX LAWS MEANS FOR YOUR ESTATE PLAN

By Attorney John L. Haslam

President Trump signed the Tax Cut and Jobs Act (TCJA) into law on December 22, 2017. This is the first major tax overhaul in the United States since 1986. Although income tax changes have received most of the attention, there were changes to the estate tax and gift tax system that are worth noting as you consider and review the terms of your own estate plan.

Increased Estate Tax Exemption

The estate tax, often known as the “death tax”, is a tax on the transfer of wealth at death. However, almost all estates in the United States have been unaffected by this tax for the past several years. Starting in 2000, an individual could exempt up to \$1 million from the estate tax. The exemption was raised several times since, and by 2017 that exemption reached nearly \$5.5 million. Married couples were allowed to double the exemption to nearly \$11 million.

The new law does not repeal the estate tax, but it doubles the exemption amount. The increased exemption amount means that an individual can transfer assets valued up to \$11.2 million at death without paying any estate tax. “Portability” is retained under the new law, meaning that a married person will continue to be able to transfer any unused exemption amount to a surviving spouse. As a result, a married couple can cumulatively transfer assets valued up to \$22.4 million without paying any estate tax.

It is very important to note that the law increasing the exemption amount expires on December 31, 2025. This means that on January 1, 2026, the exemption amount will drop back down to \$5 million, adjusted for inflation. Therefore, the increased exemption amount will apply only to individuals who die between January 1, 2018 and December 31, 2025.

(continued on pg. 2)

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(continued)

No Change to Rules Governing Tax Basis Adjustment at Death

The new tax law retains the existing rules governing tax basis adjustment. All assets owned by a decedent at death receive a new tax basis equal to the fair market value of the property as of the date of death. In Wisconsin, as a community property state, if one spouse passes away, both spouses receive this adjustment (called “double step-up” in basis).

For example, when a stock portfolio has increased in value over time, this rule allows a surviving spouse to inherit the stock portfolio with a tax basis equal to the current fair market value, not the original purchase price. The surviving spouse can sell the entire portfolio the next day without realizing any capital gain. The basis-adjustment rule means that individuals can transfer a significant amount of assets to spouses and other beneficiaries with minimal or no immediate capital gains tax consequences.

Gift Tax Opportunity Before 2026

The annual gift tax exclusion, which is the maximum amount that a person can give to another person during a calendar year without gift tax, increased to \$15,000 per person. This change was set to occur anyway. However, since the estate tax and gift tax exemptions are linked, the lifetime gift tax exemption also increased to \$11.2 million per person.

For those with large estates, the increased gift tax exemption provides an opportunity to transfer that wealth through lifetime gifts to younger generations. Any gifts in excess of \$15,000 to any individual in a calendar year will reduce the donor’s available estate tax exemption amount dollar-for-dollar. However, with the estate tax exemption set to be scaled back anyway after the December 31, 2025 deadline, large gifts within this timeframe might make sense.



Review Your Plan

Whenever a major law change occurs, it is important to find out if and how your estate plan was affected. Review questions include the following:

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Review Your Plan

Whenever a major law change occurs, it is important to find out if and how your estate plan was affected. Review questions include the following:

- Are the estate tax protections built into your plan design still appropriate?
- Is your plan designed to take advantage of the basis adjustment at death and minimize capital gains taxes?
- Are larger lifetime gifts advisable in light of the increased exemptions?
- Has the size of your estate or character of your assets changed since your last review?
- Has there been a change in your personal circumstances or a change within your family?
- Are you still comfortable with the people you’ve selected as your successor trustees, executors and agents under your powers of attorney?

Conclusion

It will take many months, if not years, before the impact of the new law will be truly known. Your plan was designed and prepared based on your circumstances and the law as it existed ***at that time***. Therefore, we strongly encourage you to contact us for a review of your existing plan. For those of you in our RWay Program, your estate plan review takes place either annually or every other year. For those of you who aren’t in the RWay Program and haven’t had a review in several years, this would be a perfect time to do so to make sure your plan is aligned with the new law.

Save the Date!

Annual RWay Forum Dinner



Wilson Law Group's RWay Forum Dinner will take place on April 16 at the Monona Terrace Convention Center in Downtown Madison. Our featured speaker will be former Governor Martin Schreiber. Mr. Schreiber served as Wisconsin's Governor from 1977 to 1979. In recent years, however, he has served as a champion for Alzheimer's caregivers. His significant efforts have connected families and caregivers throughout Wisconsin, helping them cope with the heroic task of caregiving. His focus has been to shine a spotlight on the importance of enhancing the lives of both those with Alzheimer's and dementia along with their caregivers.

Martin and his wife Elaine have been married since 1961. They have four children and thirteen grandchildren. Elaine is the subject of Martin's book, *My Two Elaines: Learning, Coping, and Surviving as an Alzheimer's Caregiver*. The book chronicles his story in caring for Elaine, who has Alzheimer's disease. However, it goes beyond that. It provides suggestions for how to treat a person with Alzheimer's with dignity. Furthermore, it provides insight and suggestions for caregivers in coping with the grief, depression, and anxiety that can accompany the caregiving role.

In honor of Governor Schreiber and Elaine Schreiber, Wilson Law Group will be making a contribution to the Alzheimer's Association. If you would like to join us in contributing to this worthy organization, you can either send or deliver it to our Madison office, bring it to the Forum Dinner, or contribute online to either the Wisconsin chapter at www.alzwisc.org or the national chapter at www.alz.org.

We look forward to seeing you on April 16th!

alzheimer's 
association[®]

Watch your Mail!

Invitations will be sent out this winter to Active RWay members



Who Will Inherit Your Financial Wisdom?

Passing on More Than Just Wealth

Many people who inherit wealth or small businesses are at significant risk for squandering that wealth. An Ohio University study shows that an astonishing 33 percent of all beneficiaries lose their entire inheritance within two years of receiving it. The ways they manage to do so are varied, but we have seen a common thread: mismanagement.

How beneficiaries lose their way

There are a few key ways beneficiaries struggle to make the right financial decisions with their inheritances. For example, a beneficiary might not have been brought up with a strong education on the basics of money management. Or, even if the beneficiary knows what to do to properly manage their money, it can be challenging to manage an inheritance while dealing with the loss of a loved one.

A beneficiary may invest unwisely or spend their wealth on an unsustainable lifestyle, rapidly exhausting an inheritance.

While a live-in-the-moment attitude can serve young people as they gain life experience, it can be very dangerous when large sums of money are involved. Often, they do not have the same experience and wisdom as the generation that built the wealth.

Share your wisdom with your wealth

One of the greatest gifts you can leave your children, grandchildren, and other beneficiaries is the gift of your wisdom. Sharing the stories, struggles, and journey that brought you to where you are, is as important as leaving a financial legacy in your will or trust.

Money alone can become just as much a burden as it is a gift if it doesn't go hand in hand with practical guidance. Let your beneficiaries know that they can help build a legacy of wealth that supports them throughout their lives and for generations to come.



3 tips to set your beneficiaries up for success

Here are three pointers for setting up your beneficiaries for success:

1. **Use estate planning tools like discretionary and incentive trusts.** In addition to talking with your beneficiaries about financial well-being, you can also use certain types of trusts that will reward their smart behavior. Discretionary and incentive trusts are two such tools that can hold payments until beneficiaries complete college or withhold payments unless beneficiaries are proven to be clean and sober. If you don't already have a trust like this, we can work with you to tailor these types of trusts to your unique family goals.
2. **Talk to your beneficiaries about the right way to use their inheritances.** Tips about compartmentalizing money for paying off debts and saving for the future might be second nature to you but a complete mystery to your heirs. Teach them the basics of money management and share your knowledge about smart investing. When you define a purpose for the money you're leaving, you enhance the meaning of your estate plan.
3. **Bake your wisdom into your estate plan.** Consider adding a supplement to your plan that includes your stories, struggles, and journey of success so your wisdom is passed to the next generation along with your wealth.

You don't have to go it alone

Feel free to contact us to ensure that your will or trust is completely up-to-date and that we've included strategies like lifetime discretionary trusts, incentive trusts, trust protectors, substance abuse protection language, and more, so that your family's financial legacy is as safe as possible. We can even help you navigate discussions with your beneficiaries so you can rest assured that you're doing what's necessary to make your wealth last.

This Month in History

January

National Blood Donor Month

This January, the American Red Cross celebrates National Blood Donor Month and recognizes the lifesaving contribution of blood and platelet donors. As we begin the New Year, the Red Cross encourages individuals to resolve to roll up a sleeve to give this month and throughout 2018.



January 11, 1935

Amelia Earhart became the first person to fly solo from Hawaii to California.

January 28, 1915

The U.S. Coast Guard was created by an Act of Congress, combining the Life Saving Service and the Revenue Cutter Service.

February

Black History Month

Established by Dr. Carter G. Woodson in 1926 (as Negro History Week) to celebrate and honor the achievements and contributions of African-Americans.

February 14, 1920

The League of Women Voters was founded.



LEAGUE OF
WOMEN VOTERS®

February 20, 1962

Astronaut John Glenn became the first American launched into orbit.



March

Spiritual Wellness Month

A time for new beginnings (as spring approaches), spiritual renewal and inner peace. To focus on telling the truth and being honest in all endeavors. For more information, browse www.wordsofwellness.com.

March 1, 1872

Yellowstone became the world's first National Park.

March 17, 1762

The first St. Patrick's Day parade was held in New York City.





Annual Educational Symposiums

All classes are offered exclusively to our RWay members and their guests. Seating is limited, so please make your reservation as early as possible.

Wilson Law Group combines our most valued educational workshops into three convenient half-day events!

Where:

*Clarion Suites
2110 Rimrock Road
Madison, WI 53713*

When:

*Saturday, February 3, 2018
Saturday, May 5, 2018*

3 Ways to Register

Phone

608-833-4001

Email

mail@wilsonlawgroup.com

Our Website

www.wilsonlawgroup.com

Symposium 2 Saturday, February 3, 2018

8:30 a.m. Have Your Done Your Homework?	8:30 a.m. Income Taxes for Trusts
Break	
9:45 a.m. Trustee Training: <i>The Trust Process</i>	9:45 a.m. Protecting Your Identity
Break	
11:00 a.m. Trustee Training: <i>Administration Process</i>	11:00 a.m. IRA Distributions: Required or Discretionary?

Have You Done Your Homework?

This is a great follow-up program to our “Pre-Planning Your Funeral” workshop. We have partnered with you to create a customized trust specifically for your needs. However, your trust binder is full of important documents that only you can spring to life. This workshop offers a guided session to completing your Memorandum for Distribution, Remembrance and Services Memorandum, Key Information section, and other documents that you should customize. Please bring your trust binders and we will review your homework or assist you in completing it.

Income Taxes for Trusts

Income Taxes are often a secondary discussion topic during the course of planning an estate. However, basic knowledge of trust and estate income tax rules is essential to avoiding common mistakes that can cost thousands of dollars. This program will provide a practical overview of the issues that arise in connection with the income taxation of trusts and estates.

Trustee Training *The Trust Process*

The program will provide attendees with an understanding of estate planning concepts, why a trust is useful in family planning, and an introduction to the trust administration process. Attendance is a must for every trustee of every trust. A workbook will be included. We encourage you and your successor trustees to attend this workshop. This program is a precursor for the Trustee Training (*The Administrative Process*) program.

Symposium 3
Saturday, May 5, 2018

8:30 a.m. Trustee Training: <i>The Trust Process</i>	8:30 a.m. Current Events in Estate Planning
Break	
9:45 a.m. Trustee Training: <i>Administration Process</i>	9:45 a.m. Estate Planning (& Mistakes) of the Rich and Famous
Break	
11:00 a.m. Funding Your Trust	11:00 a.m. Social Security Updates

Protecting your Identity
Presented by Mike Koll

Identity theft is on the rise, and it has become a very real issue for Americans. Even large corporations like Target and Sony have had massive data breaches. How can you protect yourself? This workshop will review methods to help you protect yourself from identity theft, as well as help you prepare in the event that your information is compromised.

Trustee Training
The Administrative Process

This program was designed for successor trustees. Prior attendance at the Trustee Training (*The Trust Process*) program is highly encouraged. The Trust Administration workshop provides trustees with a detailed description of the decisions to be made and the tasks to be completed following the death of a trust maker. These include valuing assets, administering retirement plans and annuities, dividing and distributing trust assets, and preparing estate and fiduciary income tax returns. It is important to know how to handle these responsibilities before the need exists.

IRA Distributions:
Required or Discretionary?

Distributions from IRAs are one of the most misunderstood parts of retirement planning. This program will discuss distributions before age 59.9, after age 70.5, and all ages in between. Learn how to avoid penalties and unexpected taxes, as well as how to maximize the benefit you and your family can receive from your IRAs.

Current Events in Estate Planning

As we know estate planning is essential to make sure your assets and values pass on to future generations in the way that we want. Every year, changes in tax laws and other related provisions can affect your estate plans. We will look at the most important changes that can have an impact in your plan.

Estate Planning (& Mistakes)
of the Rich and Famous

Celebrities seem to have it all; or do they? Estate planning has always proven to be the great equalizer of us all. You will hear stories from Philip Seymour Hoffman to Elvis, Michael Jackson to James Gandolfini. When estate plans are done incorrectly, or not at all, while we learn from the mistakes of the “elite”.

Funding Your Trust

Funding is a critical function of maintaining your trust. Even though your current assets are in your trust, it is your responsibility to make sure that all assets acquired in the future are also in your trust. We are here to help you learn what to do and when to do it. This workshop will help you understand how to properly maintain your trust. This class provides essential information to correctly fund your trust, so be sure to sign up if you haven't yet taken the class.

Social Security Updates
Presented by Robin Mueller

Thinking about retirement? Whether you are planning to take early retirement or want to continue working until (or beyond) full retirement age, this workshop will help you make informed decisions about your future based on your Social Security benefit options and how much money you may need from other sources to supplement your retirement income.

Beware Winter's Hidden Perils

In the winter months, some safety hazards are more obvious than others. Be on the lookout for these dangerous conditions:

- **Carbon monoxide poisoning** can often be mistaken for the flu—achiness, headache, and nausea. The gas is odorless and colorless and can affect children before it affects adults. Check your furnace and other gas-, coal-, oil-, or wood-burning appliances to make sure they aren't threatening your safety.
- **Wear bright or reflective clothing** when outside, and be careful when walking near snow piles and drifts that may obscure your view or the view of a vehicle. Sliding and skidding vehicles may not be able to avoid hitting someone.
- **Frostbite** can strike in a very short time, especially with children. That's because they lose body heat quickly, sometimes in as little as 20 minutes. Dress kids warmly, but don't over bundle. That can cause sweating, which speeds the loss of body heat. Also, discourage kids from eating snow, because it lowers body temperature—which can decrease resistance to frostbite.

How did New Year's Resolutions Start?

The ancient Babylonians are said to have been the first people to make New Year's resolutions, some 4,000 years ago. They were also the first to hold recorded celebrations in honor of the new year—though for them the year began not in January but in mid-March, when the crops were planted.



HAPPY NEW YEAR!

Mark Your Calendars

January 15, 2018

Martin Luther King, Jr. Day

February 2, 2018

Ground Hog Day



February 14, 2018

Valentine's Day



February 19, 2018

President's Day

March 11, 2018

Daylight Savings ends at 2:00 a.m.
Set clock 1 hour ahead.



March 14, 2018

Pi Day

March 17, 2018

St. Patrick's Day

March 20, 2018



April 1, 2018

April Fools Day

April 17, 2018

Tax Day

