



Solutions

WEALTH AND BUSINESS PLANNING STRATEGIES

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ZERO CAPITAL GAINS FOR THE RIGHT CLIENT

You may be an individual who can benefit from a tremendous opportunity to avoid paying any capital gains tax for the tax years of 2008 through 2010.

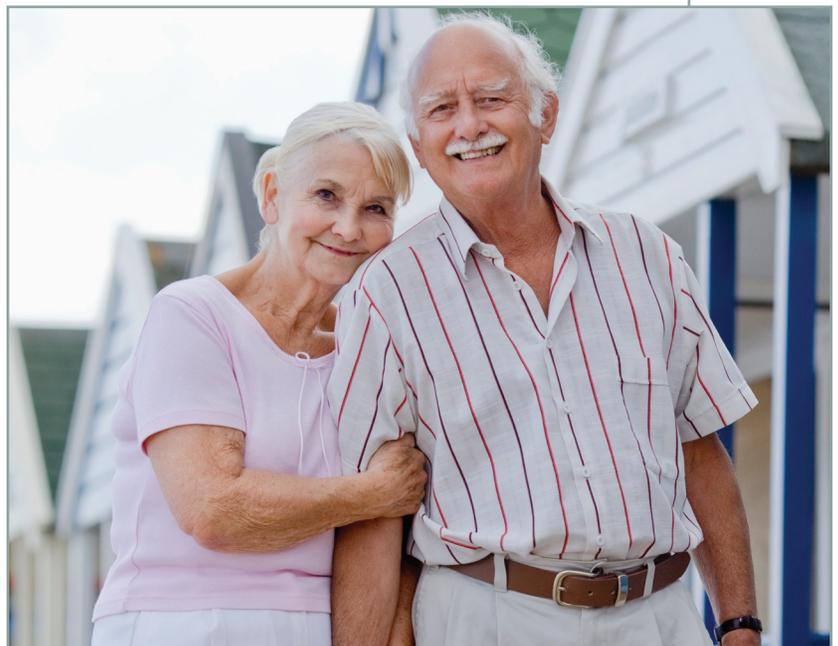
If you are part of a couple with \$65,100 or less of taxable income or are a single individual with \$32,550 or less of taxable income, you may qualify to be exempt from capital gains. Retirees with lower incomes who have stocks and bonds to sell that have been held more than a year are ideal candidates.

Only gains within the income limits qualify for zero tax. Let's look at an example. A single individual who has ordinary income in the form of salary and interest income of \$24,000 could have capital gains up to \$8,550 and still be exempt from paying any long-term capital gains. All long-term capital gains in excess of \$8,550 would be subject to tax at 15 percent.

A method to assist parents in financial need.

An individual may be helping his or her parents financially by contributing to their support. The younger individual may want to consider giving the parents long-term securities as a gift rather than cash. Up to \$12,000 (\$24,000 if it is a split gift from an individual and a spouse) can be given gift-tax free each year. The parents can sell the securities immediately, which would still be considered a long-term gain. If the amount is below the amounts illustrated in the above example, the gain is exempt from capital gains tax. The younger person would have to sell \$14,118 of securities to net \$12,000 for the parents after paying the 15 percent capital gains tax. The younger individual could then use the tax savings to pay premiums on needed life insurance, for example.

This is a good tax-savings idea that can be used between now and 2010.



*Inside: Special Needs Trusts for Special Children
Estate Planning is Needed by Everyone*

SPECIAL NEEDS TRUSTS FOR SPECIAL CHILDREN

Families with a special needs child—whether because of physical impairment, illness, or mental limitation – often worry about how they can provide financially for such a child, possibly for the child’s entire lifetime.

Often the solution will be to implement a Special Needs Trust.

How Does A Special Needs Trust Work?

Typically, a Special Needs Trust is a trust created to provide for the child’s *supplemental* needs, (as opposed to the child’s *primary* needs). The objective is to design the arrangement so that governmental benefits, for which the child may be eligible, will pay for the child’s *primary* needs. If properly designed, the trust can provide only those comforts and special items that help make life more pleasant for the child and are not otherwise provided by public assistance programs.

The distributions from the trust are discretionary to prevent the government from claiming that the trust must first provide for the needs of the special child. Some specialists suggest that the trust document name other children as beneficiaries also. The trustee is then in a stronger position to argue that he has fiduciary duties to consider the needs of all beneficiaries.



Family Comfort From Planning

A Special Needs Trust can give great comfort to a family that is providing for the special needs child while also treating all other children of the family in a fair manner. Funding the trust with life insurance will assure that funds will be available whenever needed to carry out the

trust objective of providing for the special needs child for his or her entire lifetime.

ESTATE PLANNING IS NEEDED BY EVERYONE

The phrase “estate planning” often evokes the concept of estate tax planning. It shouldn’t. Estate tax planning is usually needed only for

individuals with very large estates, but estate planning is needed by every family. In fact, the less a family has in the way of assets, the greater the need for planning.

With all of the turmoil over estate tax, the uncertainties of what the tax rates will be in the years ahead and what

the exemption from tax may or may not be, many families have been reluctant to do any planning at all. The majority of such families will not have a tax problem but may well fail to carry out family objectives because they did

not plan. Here are a few of the questions that families need to answer.

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1. Are wills current?
2. Are asset titles held properly for the will to perform as wanted?
3. Are pension plan beneficiaries current?
4. Are IRA beneficiaries current?
5. Are life insurance beneficiaries current?
6. Are your trusts operating as they were designed?
7. Do you have children working with you in your business? Will the value they are adding to the business be properly recognized?
8. If you have non-family partners in your business, will they be ready to buy your business interest from your estate?

These are but a few of the questions that need to be addressed by a family if they are to properly plan their estate. Not one of the questions has anything to do with estate taxes. Let's look at a couple of the questions.

Are IRA beneficiaries current?

In PLR 200837046, the IRS was able to accept a disclaimer under state law that saved an error caused by the mother failing to change an IRA beneficiary designation prior to her death. She had designated her husband as primary beneficiary and her oldest son, Bill, as contingent beneficiary, but did not also name her younger son, Chuck as a contingent beneficiary.

She subsequently divorced, executed a new will and was told by her attorney to change the beneficiary form,

which she did not do prior to her death. Following her death, the question arose as to who the beneficiary of

her IRA. State law prohibits divorced spouses from benefiting from the IRA even if named on the beneficiary form. (Does your state do the same? Not all states have this feature.) The older son was able to execute a valid

disclaimer of half the interest in the IRA so that it could pass to his brother under the new will. Had this been another state, the results may not have been so favorable. Make sure beneficiary designations are current!

Do you have a buy/sell arrangement with your non-family business partners?

Let's say several friends formed a business some time ago and that the business has grown substantially over the years. When one of their nonbusiness friends dies in an accident, the business associates discuss what would

happen to the business if something happened to one of them. They all realize that at the present time there is no plan in place. If one of them would die, the survivors may suddenly have a new business associate (shareholder, limited partner, etc.) that they were not anticipating or want.

Estate tax planning is usually needed only for individuals with very large estates, but estate planning is needed by every family. In fact, the less a family has in the way of assets, the greater the need for planning.



The solution may well be a written buy/sell arrangement among all of the business associates that requires the estate of a deceased owner to sell and requires the living owners to buy the deceased owner's interest in the business at a value worked out in the agreement. This would provide certainty to the estate, help fix the value of the business for estate tax purposes or state inheritance tax purposes, and assure the living owners that they will not have a new owner that they do not want.

Funding the buy/sell agreement is critical. Funding with life insurance helps assure that the dollars needed to purchase the business interest from the estate will be available no matter when they are needed. Planning without funding leaves the estate at the mercy of the surviving business owners which is usually not in the best interest of the estate.

Where to go for help

For assistance with properly structuring and funding a buy/sell agreement for your business or with estate planning, seek the services of a knowledgeable business and tax attorney. Your UNIFI representative can help with information on concepts and products that can be useful in developing your business or estate plan.



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