The Financial and Estate Planning Council of Metropolitan Detroit, Inc.

July 2015

30600 Northwestern Hwy., Suite 208, Farmington Hills, MI 48334 • (877) 301-1300 • FAX: (248) 232-2774

President's Message

Hopefully by the time this newsletter gets to you, the weather will have turned, and we will all be enjoying a traditional "pure" Michigan summer.

First - a couple of updates from the past. We had our first "lunch and learn" event, which is geared to estate planning professionals with younger children who may find it difficult to attend evening functions. I am happy to report that the first event was a resounding success! There were over 50 attendees. Financially, the event was almost self-supporting, even though the cost to attend for participants was only $10. And last, I am confident that in the long-run, this event will produce a pipeline of new people who will join the FEPCMD in the future. Be looking for an announcement about our second "lunch and learn" event to be held sometime in the fall. (A big thank you to Jeffrey Hoenle and his committee for pushing this forward!)

Second, our 9th Annual Golf & Tennis Charity Event and our Member Meeting and dinner, held in May was also very successful. The weather was perfect. The charity for the event, Detroit Public Television ("DPT"), was very supportive with volunteers and providing a very professional and interesting presentation led by Dan Alpert, a senior vice president and icon at DPT. (A special thank you to Brad Kreiner and his committee for continuing to grow this event!)

Now, a couple of updates about the future. We have two very interesting events planned for our last two evening meetings in 2015.

First, given the great things happening in the City of Detroit, we are going to partner with an organization called the Detroit Experience Factory (www.weknow-detroit.com) for our Spouse's night event on September 9th. In addition to our traditional cocktail hour and dinner, there will be a bus tour that will be making various stops at entertaining and historic locations in Detroit that many of you would be surprised to see if you haven't ventured out recently. The evening will be capped with a presentation given by Matt Cullen, of Rock Ventures, regarding successful private – public partnership in Detroit. This is a "can't miss" event!

Our last event is scheduled for November 10th in Royal Oak at Emagine Entertainment & Star Lanes; we have a nationally renowned speaker lined up – Sam Donaldson from the Georgia State University College of Law– who will give a two hour CE session in the afternoon titled "Federal Tax Update" and a presentation at dinner on "Hot Income Tax Tips for Estate Planners."

We look forward to seeing you at the remaining events this year and as always, welcome any feedback you may have.

Jeff Risius, President

WELCOME TO OUR NEW MEMBERS

JENNA BERNARDI, CPA
Rehmann
Sponsors: Craig Mathiesen and Jeff Hoenle

JONATHAN M. COLMAN, JD
Barron, Rosenberg, Mayoras & Mayoras, P.C.
Sponsors: Don Rosenberg and Patricia Bojanic

JULIE KOWALSKY
Rehmann
Sponsors: Craig Mathiesen and Jeff Risius

KATHRYN A. TORIGIAN
Comerica Bank
Sponsors: Gordon Gerds and Stephen Moore

September 9, 2015 FEPCMD Bus Tour Information in partnership with the Detroit Experience Factory

DXF

WE CREATE EXPERIENCES THAT ARE ENLIGHTENING, ENTERTAINING AND LED BY DETROITERS WHO KNOW DETROIT

"Even though many of our faculty, staff and partners have lived in the region for some time, the tour introduced them to people, places and projects that were unknown to most and left them a with a renewed sense of excitement about Detroit."
— Ned Staebler, Vice President for Economic Development, Wayne State University

At DXF, we'll lead you on guided tours throughout one of America's greatest post-industrial cities, celebrate some of its best kept secrets, explore its many weird and wonderful localities (all 143 square miles of them), and share our two cents on everything from where to find a doggy daycare to where to buy your groceries.

As unapologetic know-it-alls, we're here to give you an insider's perspective. But the first step is seeing it with your own eyes.

"Our new employees got a chance to see the developments downtown up close and first hand. After seeing the park, great lunch spots, and fantastic restaurants they got a real sense of the energy and dynamic offerings that Downtown Detroit has to offer."

— Lauren Rossi, Greater Michigan Sourcing Leader, PricewaterhouseCoopers

Come See the Old, Experience the New, Be Excited By What You Never Knew!

FEPCMD 9-9-15 Tour Route / 5:30 pm to 7:00 pm

1. Start at Majestic Theater 5:30pm
2. Left on Canfield (Hopcat, The Whitney)
3. Left on Cass (The Auburn)
4. Right on Willis (Avalon, Willy's)
5. Right on Second (Cass Community Garden)
6. **Right on Canfield (Get off the bus to see Shinola, City Bird, Run Detroit etc.) 5:35pm – 6:05pm**
7. Right on Woodward (New Innovation and Design Building, Orchestra hall, New Hockey Arena Site, M-1 Rail, Campus Martius, Spirit of Detroit)
8. Left on Jefferson (Hart Plaza)
9. Turn Right on Bates (Renaissance Center)
10. Turn Left on Civic Center Drive **(Pause briefly at Rivard Plaza) 6:30pm**
11. Left on Rivard (DNR Outdoor Adventure Center, Orleans Landing project, Lafayette Park)
12. Left on Antietem
13. Right on Gratiot (Eastern Market, New Shed 3 and Shed 5 Developments)
14. Left on Mack (Whole Foods)
15. **Right on Woodward (End at Majestic at 7pm)**

FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT

Presents

"Discover Detroit… A successful public-private partnership"

MATTHEW P. CULLEN, PRESIDENT & CEO – ROCK VENTURES LLC

WEDNESDAY, September 9, 2015

THE MAJESTIC THEATRE & EXPERIENCE DETROIT BUS TOUR

4120 Woodward Avenue, Detroit, MI 48201 Phone: (313) 833-9700

Directions to The Majestic Theatre

The Majestic parking lot is located behind The Majestic Theatre Center off of Alexandrine. Parking is secure and complimentary. Please note: To avoid heavy construction and frequent road closures on Woodward Avenue, approach The Majestic Theatre Center parking lot from John R Street.

Additional parking at your own expense is also available: Metered street parking on Alexandrine, Willis and John R and a parking structure at W. Alexandrine and Woodward, kitty corner from the Theatre.

SPOUSES AND GUESTS ARE INVITED.

Sponsored By

- The Baker Group
- Baker Tilly
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- Stefek's Auctioneers and Appraisers
- Stout Risius Ross
- Varnum
- Wayne State
- Wells Fargo The Private Bank
- Williams Williams Rattner & Plunkett, PC

Matthew P. Cullen is president and chief executive officer of Rock Ventures LLC, the umbrella entity formed to provide operational coordination, guidance, and integration to Dan Gilbert's portfolio of more than 110 companies and investments. Cullen is also responsible for Rock Venture's efforts to spark development and revitalization in the City of Detroit. He serves as volunteer president and CEO of the M-1 RAIL Streetcar initiative. Through a public-private partnership, M-1 RAIL will also serve as a catalyst for investment, economic development and urban renewal to positively impact Detroit while helping to create a modern, regional transit system.

AGENDA:		
	4:30 PM to 5:15 PM	Check in At Majestic Theatre – Appetizers & Beverages
	5:30 PM to 7:00 PM	Experience Detroit Bus Tour – See Additional Information
	7:00 PM to 7:30 PM	Cocktails and Seating
	7:30 PM to 8:30 PM	Presentation and Dinner

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Log onto our website by August 28, 2015 to make your reservation and pay with VISA or Master Card.

www.metrodetroitfepc.org

RESERVATIONS RECEIVED AFTER August 28 WILL COST $85.00 PER PERSON.

OR PLEASE MAIL YOUR RESERVATION AND CHECK BY AUGUST 28, 2015 COST: $60.00 PER PERSON

TO: FEPCMD ● 30600 Northwestern Hwy., Suite 208 ● Farmington Hills, MI 48334

Phone: (877) 301-1300 ● Fax: (248) 232-2774 (Please note new telephone & fax numbers)

MEMBER NAME: ______________________ **GUEST NAME:** ______________________

TOTAL ENCLOSED: ______________________ **BUS TOUR & DINNER:**_________ **DINNER ONLY:**________
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Buying Life Insurance on Children - A Good Idea for the Future, or the Unthinkable?

Ronald I. Woodmansee, CLU, CEBS, MSFS

There are varying thoughts regarding the idea of insuring or not insuring children, particularly young children. Although there is probably no absolute right or wrong answer to the question, there certainly are pros and cons in doing so.

Many times when the topic of insuring children is discussed, parents get emotionally turned off and seemingly do not want to admit that a premature death of a child is ever a possibility. After all, is there an actual financial loss from the death of a child? This is similar to the topic of wills when speaking to a client about his or her final thoughts. Many times I find it easier to get a check for a life insurance policy than to get a client to speak to an attorney to draft a will.

While it is true that, except for possible extenuating circumstances in very wealthy families, a true and direct large financial loss from the death of a child is not likely. However, you must also consider the emotional and financial impact on the parents. For example, if a parent is unable to function in the near term at work, would he or she have the same level of income continuing if substantial time is missed at work, due to the obvious emotional stress? Someone who works for a larger company may be given more available time and resources than someone who is self employed, and is therefore dependent upon his or her time to produce family income.

There will always be a final expense cost regardless, and this fact is often overlooked. I personally watched my assistant borrow from her 401(K) to bury her 19 year old son who died suddenly in 2006. The sad part about that painful tragedy was that she did have a small burial expense policy on him at a young age, but unfortunately dropped it during a period of financial strife.

Although the resulting loss of income could be argued either way, the issue that is most often not thought about by the parents, and perhaps is misunderstood and neglected by many, is the issue of future insurability. More important, future insurability means the ability to get life insurance coverage much later in life, without any medical underwriting, and regardless of any changes in health.

I recently gave a good long term client the complete authority to reprimand me for not having recommended this concept to him for his children years ago. This client and his wife have been well insured with me for a number of years. A few years ago, his daughter, then in her early twenties, was diagnosed with Non Hodgkin's lymphoma. Although she has been cured, she still will not be able to get life insurance issued on a standard basis for a few more years. In the past year, his son who is in graduate school was just diagnosed with testicular cancer. Thankfully they have been cured and each is on the mend. The son recently became engaged but unfortunately it will be a few years before he will be able to get any type of life insurance coverage on a favorable rate basis.

There are many things that could happen to a child from the early years through adulthood, any one of which could render a person uninsurable at any time, sometimes suddenly, and sometimes gradually. Some of those risks are readily understood and are somewhat common while others may not be. You might therefore ask what could affect a child later on in life that would make him or her uninsurable. Consider the possibilities.

Certainly there are the most evident risks such as a childhood sickness or a tragic accident which, although not resulting in immediate death, could result in a person's reduced mortality and therefore impaired insurability. This could be from a car or bike accident, a sports injury, or simply from horseplay. These are the most obvious ones, but there are others.

Obesity and Type II diabetes in this country are becoming more and more common. Although many cases can be controlled by diet, exercise and/or medication, this does not always mean a life insurance policy will be issued at standard or preferred rates.

There are also issues that certainly affect insurability, but may not become apparent until kids hit their teens. These include issues like addiction to alcohol or drugs, and/or severe mental illness. Unfortunately, these conditions are becoming more and more prevalent in today's society and in many cases will render these people uninsurable later in life. The client may also have a child that joins the military. Policies are not generally issued to people in the military that are deployed or soon to be deployed. These are just some of the events that can happen later in life that would affect someone from being able to purchase life insurance on a favorable basis if, at all.

For many of the above reasons, if a client can and does really want to think on a truly long term basis, it may make sense to consider buying policies on his or her children.

Generally this is done with permanent policies and not term insurance. They typically cost just a few hundred dollars apiece per year. Most importantly for the future, these policies offer what is generally called a guaranteed insurability option (GIO) which allows the insured or owner to purchase additional coverage at specified future dates. These options usually start at age 25 and occur every three years until age 40, or sometimes even through age 46. This feature will give the insured up to 8 different option dates during which he or she can purchase additional coverage, regardless of health. Additionally, the coverage will be issued at the same rating class at which the policy was initially issued. Policies for those under age 17 would generally automatically be issued at a standard rating class instead of a preferred class. Insureds over age 17 may be able to get the most commonly issued second best class, or even the top rating class of that particular carrier, based on normal underwriting criteria.

The amount of these GIO options vary by company but generally can be up to $100,000 or $125,000 per option, although the option amount is many times a function of the base benefit (with 2 x the base being common). This means that a young person can be issued a small policy, perhaps in the $50,000 to $100,000 range, and have the guaranteed ability to get up to $1 million dollars more in the future, all at standard rates. I did this for my own children as soon as I could, which was 14 days after birth. I am sure that some underwriter in 1988 had a good chuckle when I listed the duties of a newborn as eating, crying, etc. Now each of my kids has the guaranteed ability to get over $1 million dollars of additional coverage in the future. I am so glad I did so as it appears that at least one of them, if not two, may have some issues preventing them from getting standard coverage without the guaranteed option to do so.

One of the valuable features of the GIO option is that a person can take an early option at marriage or at the birth of a child and in lieu of the upcoming option. So, if my client's son mentioned above who just had testicular cancer got married at age 23, he could take the option at age 25 early, with the next one occurring at age 28. Of course, a person can take all or none of the options in the future. There is no penalty for not taking any of the options, but they are not cumulative if skipped when they come due.

Another unique option on a policy on a child that also should be considered, although sometimes this is debated, even on policies for adults, is the waiver of premium benefit for disability. This benefit is extremely inexpensive, literally costing no more than a few dollars per year. If that benefit is added to the original policy and the insured should then become disabled later in life, the waiver of premium feature actually purchases the additional GIO options as they come due, and with no premium payment required. The premium is "waived", meaning paid for by the insurance company, by virtue of the waiver of premium benefit. This means that all increases in cash values and death benefits continue as long as the insured is disabled. More importantly, the in force coverage is maintained and increased, and at no additional out of pocket cost to the insured or policy owner.

Because these policies are permanent in nature, they develop the typical tax deferred cash accumulation that any life permanent policy accrues over time. Some advisors, and also some advertisers that I have seen on TV, recommend these policies as a way to accumulate additional funds for college. Although any funds saved for college are better than none, I am not convinced that recommending policies on children for that purpose makes as much sense when compared to other preferred college savings vehicles. This is partly due to the fact that clients are not usually spending large amounts of premium on these policies for children and therefore not likely to have substantial cash accumulations by the time the child goes to college. There are also other reasons why this is certainly not the preferred vehicle for college savings. However, that having been said, I did have a teaching moment and a life lesson for my oldest son about three years ago.

Because he spent far too much time, and far too much of my hard earned dollars trying to get out of college, I finally decided that at one point that his last year of college would be on his dime. Because he abruptly returned from college overseas to re-enroll here, he did not have enough time to acquire a student loan in his name. I reminded him that he had a life insurance policy that I had originally taken out at his birth, into which I had paid about $600 a year in premiums, and which then had over $21,000 in cash accumulation. I sat down and told him that this policy someday would be his, but in the meantime we could make a phone call and borrow some of this money early to make the tuition payment that was now due. He was amazed and asked if he could really do that with a life insurance policy. I told him that we could do so and that if he did not pay the loan back he was only going to hurt himself later because this would eventually be his own policy. When he did finally graduate and became employed soon after, he started to pay back the loan on an automatic deduction from his checking account and has been doing so ever since. Again, the cash accumulation is a secondary benefit of these small policies and, although not designed for that purpose, it is a feature not to be overlooked.

One logical question on insuring children might be whether or not the same goal can be met by using a term policy instead of a permanent one. The answer is yes and no. Many companies have restrictions on issuing term policies at really young ages, but they can certainly be issued for kids in their teenage years and above. The good part about a term policy is that the cost is extremely low relative to the value of the death benefit in the early years. The downside is that the rate guarantee with any term policy will expire, typically in ten or twenty years, immediately after which the rates increase by a factor of ten and then exponentially every year thereafter.

However, the real downside of issuing a term policy on children is that, with the possible exception of what are called "jumping juvenile" term policies (which I admittedly sold during the summers in college), there is no GIO availability on any term insurance policies. The insured always has that amount of coverage in force and that coverage can easily be converted to permanent coverage in the future, and without medical underwriting. However, if the person's health changes, there is no guarantee with a term policy to be able to increase it in the future.

Ironically, I received a call from a client of mine a few months ago who inquired about getting small term policies on the lives of his college age children, simply to cover the amount of student loans that were in place. It was a very noble and conscientious thing to do. When the loans are repaid, they can either decide to let the policies go or maybe keep them for future needs. They can also consider converting them to permanent coverage later if they are so inclined.

Again, there is no right or wrong answer on the concept of insuring children. One way of looking at the issue is that there is very little down side in doing so. Sometimes these policies are relatively small, especially compared to larger needs as the child ages. Therefore they can be perhaps less efficient regarding costs and price breakpoints, particularly if initially purchased only for final expenses. I have seen a few of the $10,000 policies that were issued on a child 20 or more years ago, and that child is now in his or her 40's or 50's. Then the question becomes what do you do with a $10,000 policy at that age?

If the policy is with a good carrier, and a good performing product, and with perhaps ability to pay for itself forever and without future premium payments, then I generally recommend that the insured keep the policy. On the other hand, if the cash value of the policy is equal to or close to the face amount, so the policy is really not insurance at this point, then the client can, and perhaps should, take the money and run. In all likelihood the client can do something more efficient with those dollars.

As an alternative the client could always donate the policy to charity as another option, which would give him or her a tax deductible contribution. Either way, none of these options is really a bad one. Therefore, even the smallest of policies issued in the child's early years may be okay later in life. However, when initially purchasing the policy for a child, consideration should be given to the initial size of the face amount, taking into account the amount of the available GIO, the long term efficiency of smaller policies, etc.

Without such a policy, if something happens to the child later in life, he or she may be forced to do without the needed insurance, or may have to spend more money than an otherwise healthy person would spend to get it. So, for those who have the means to do so, and can think out beyond a ten or twenty year time horizon, there really is nothing to lose.

Ronald I. Woodmansee, CLU, CEBS, MSFS - Woody is the principal owner of Woodmansee & Company. The firm focuses in two primary areas, life and disability income insurance for personal and business needs and employee benefit plans for small companies.

52nd Annual NAEPC
Advanced Estate Planning Strategies Conference
with Pre-conference Sessions for Council Leaders

EDUCATION & COLLABORATION

November 18 – 20, 2015
Amelia Island, Florida
Omni Amelia Island Plantation

Please plan on joining us from November 18-20, 2015 in Amelia Island, Florida for our signature annual event, the 52nd Annual NAEPC Advanced Estate Planning Strategies Conference with pre-conference sessions for Estate Planning Council Leaders. The program offers one day for leaders of estate planning councils (Council Leadership Day, Wednesday, November 18th) and two full days of continuing education for every estate planning discipline (Thursday, November 19th & Friday, November 20th). **The Annual Conference is open to all estate planning professionals**. **Reasons to Attend**:

- Two full days of multi-disciplinary technical education
- Nationally-known presenters
- Up to 15 hours of continuing education credit in two days of sessions
- Networking with estate planners from around the country
- Private educational session with Steve R. Akers, JD, AEP® (Distinguished) just for Accredited Estate Planner® designees
- Competitive registration fee with most meals included and a reduced rate for estate planning council members

Speakers & Topics

Our schedule is still shaping up and this page will be amended as more information is available. The following speakers have agreed to present during the conference educational program:

- Steve R. Akers, JD, AEP® (Distinguished): "Annual Update" & "Exclusive AEP® Session: A Dialogue with Steve Akers"
- Janelle Benefield: "Financial Reform & Its Impact on Your Merchant Account"
- Tom Breedlove: "The Case(s) for Household Employment Compliance: Case Studies Illustrating How to Mitigate Tax & Legal Risk"
- Mickey R. Davis, JD: "All About that Basis: Creative Ways to Obtain Basis at Death"
- Samuel A. Donaldson, JD, LL.M., AEP® (Distinguished): "Dealing with Uncle Sam, Everyone's Least Favorite Relative in the Family Business (Income Tax Planning for Closely-held Businesses)"
- Michael W. Halloran, CFP®, CLU®, ChFC®, AEP® (Distinguished) Nominee: "Due Diligence in Selecting and Understanding Life Insurance Policies"
- Stephan R. Leimberg, JD, AEP® (Distinguished): "Life Insurance - Key Cases and Rulings of 2014-15"
- Richard A. Oshins, JD, LL.M., MBA, AEP® (Distinguished): "Improving (and/or Revisiting) Popular Estate Planning Strategies"
- Jeffrey N. Pennell, JD: Third Party Trusts in Divorce - Is a Beneficiary's Interest Marital Property?"
- John W. Porter, B.B.A., JD, AEP® (Distinguished): "The 30,000 Foot View from the Trenches: A Potpourri of Transfer Tax Issues on the IRS's Radar Screen"
- Nancy B. Rapoport, JD: "Nudging More Ethical Behavior through Incentives and Checklists"
- Martin M. Shenkman, CPA, PFS, MBA, JD, AEP® (Distinguished): "Planning Potpourri"
- Diana S.C. Zeydel, JD, LL.M.: "Portability or No: Death of the Credit Shelter Trust"

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