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

August 2017

33006 W. Seven Mile Road, #237, Livonia, MI 48152 • (313) 530-9223 • FAX: (248) 479-0350

President's Message

Dear Members,

It has been a good stretch for FEPCMD since the time of our last newsletter.

The annual golf outing was a grand success with record setting numbers for participation in both golf and dinner. Our program speaker's remarks certainly were pertinent to all of those in the room as she tipped us off to legal and ethical issues in connection with representation or assistance to persons of declining competence and/or dementia.

Lt. Colonel Turner from the Salvation Army gave us a short presentation regarding the Salvation Army's Bed and Bread Club program in the form of personal remarks and a video. The Salvation Army Bed and Bread Club program is the beneficiary of proceeds from our annual golf event.

For our "first time" summer program we held a pure social and networking event with a Detroit River cruise on the Infinity. We had a very good turnout with 96 registrations. Everyone seemed very pleased with the opportunity just to network with friends and colleagues. We were also quite pleased with the abundance and variety of both food and beverage throughout the evening. Three hours on the river really seemed like fifteen minutes.

Our September program will be held at the Ford Piquette Plant Museum. This was the original Ford manufacturing facility in Detroit. There is a small collection of cars on the premises. We shall have our usual format of lecture and dinner. Our speaker that night will be Brian Haynes from Syracuse, New York. He will be talking about beneficiary designations for 401k, 403b, IRA accounts and other retirement facilitations. He will also include a section regarding the use of monies from retirement plans to fund charitable giving both during life and at death. The Planned Giving Roundtable, as a result, will co-host that event.

Best wishes for a terrific balance of the summer.

Yours truly,

David M. Thoms, President

WELCOME TO OUR NEW MEMBERS

DANIEL J. CETNAR, CFP
Financial Solutions of Michigan
Sponsors: Jeff Hoenle and Lori Oancea

GINA CETNAR, CFP
Financial Solutions of Michigan
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Sponsors: Jonathan Lau and Robert Labe

ALEXANDER W. STREK, CFP
Clarkston Capital Partners
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2017 Life Insurance Trends

Michael DeFillipo

The election of President Trump, indications of increased interest rates, rising political populism in Europe, and a general air of uncertainty has created challenges – along with opportunities – for advisors and their clients.

Aside from the continuous use of life insurance products for business purposes (the need for buy-sell funding, key person coverage, non-qualified deferred compensation and investor protection will remain robust, independent of large tax reform), we are experiencing several key trends for legacy and life insurance planning. We'll explore the finite nature of estate and gift tax regimes and how the fundamentals of life insurance continue to provide value as part of legacy and in-life planning.

Death and Taxes

While they are the only certainties in life, exactly what those taxes will be … in life or at death … are a bit up in the air. For the life insurance industry, the specter of full federal estate tax repeal has left many advisors, attorneys and individuals question what advanced gift and estate tax planning decisions should be made with the unknown of what rules to play by. This is not new ground – we've faced these questions twice (2010 and 2012) in the last decade alone.

While no one can predict the legislative actions of this or any future Congress, the notion that some form of wealth transfer tax will forever be eliminated is highly unlikely; the Estate Tax, in some form, will come back – and when it does, there's no guarantee we'll enjoy the current exemption level, portability and coupling between estate and gift tax regimes.

Buying Insurability on the Cheap

Where clients and their advisors may want to pause for more clarity before engaging in significant, and perhaps irrevocable, gifting and planning, the need to protect insurability is still paramount. The use of large, short duration term insurance, particularly from those carriers who offer a robust conversion platform, provides the opportunity to "warehouse" death benefit in an inexpensive form until more is known about immediate and intermediate death benefit planning.

Along with the short-term death benefit protection, the conversion "call option" provides coverage for an unfavorable change in health. The ability to acquire permanent insurance without the need for medical qualification not only hedges against insurability, but provides a laddered expense for coverage – clients may be able to secure short-term death benefit at very attractive rates then implement a permanent plan at a later date when additional funding may be available. This two-phase approach provides a solution where a liquidity event is anticipated in the future, whether that be through an intergenerational transfer of wealth or a sale of a business. The need for flexibility is a key concern for clients and advisors in this period of uncertainty.

Accumulation and Distribution

Of the three essential tax properties of life insurance – an income tax free death benefit, the ability to move death benefit proceeds from a taxable estate and the tax deferred inside build up – the last item is one we find least understood, and therefore underutilized as technique. Even in the event of overall tax reform, those individuals in the higher income tax brackets will always have a need to find vehicles to defer or eliminate current taxation.

The industry has been trending toward the use of Indexed Universal Life ("IUL") policies in recent years, particularly after the 2008-2009 recessions. IUL products feature downside protection against market loss in exchange for giving up a portion of the potential upside of direct equity investment. Policies are credited an interest through the carriers General Account based upon the performance of a widely available Index – the cash value is not directly invested in these Indexes.

While the life insurance provides death benefit protection (particularly in the early years), the policy design and framing of the solution is to create an additional source of supplemental income. Unlike in traditional insurance designs, the "cost" of the solution isn't the insurance premium – the dollars going into the policy are characterized more as contributions - but instead the insurance charges deducted from the cash value. By properly designing the insurance policy to have the lowest available net death benefit, clients can reduce these charges to a minimum.

Funded with after-tax dollars, the cash value component of life insurance grows income tax deferred and can be distributed tax-free in the form of a withdrawal (return of premium) and loan (gain); in this sense, the life insurance "wrapper" is similar to creating a ROTH IRA account. However, unlike a ROTH, there are no contribution limits (subject to policy limitations) nor timing restrictions on taking withdrawals, but be sure to not run afoul of a modified endowment contract.

Continued on Page 4

THE FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT
and
PLANNED GIVING ROUNDTABLE OF SOUTHEAST MICHIGAN
present

"Estate Planning for IRAs - Avoiding the Pitfalls"

Brian K. Haynes, JD

Bond Schoeneck & King Attorneys

TUESDAY, SEPTEMBER 19, 2017
Ford Piquette Plant
461 Piquette Street, Detroit, MI 48202

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Brian is an employee benefits and executive compensation attorney and co-chair of the firm's tax practice. With more than 30 years of experience, he primarily concentrates his practice on Taft-Hartley collectively bargained multiemployer pension and health and welfare plans. In company sales and acquisitions, Brian deals with employee benefits issues, including the planning for potential withdrawal liability often triggered by such transactions. Brian also leads clients through the complex rules for estate and income tax planning for qualified retirement plans and IRAs and handles general trust and estate issues as well. He also advises on tax and corporate law opportunities and issues.

Brian was an adjunct professor in the Syracuse University School of Law teaching Deferred Compensation (ERISA) for almost 20 years and was an adjunct professor in the Syracuse University Legal Studies Program teaching Estates, Wills, and Trusts for more than 20 years. He served as Chair of the Life Insurance and Employee Benefits Committee of the Trust and Estates Section of the New York State Bar Association for three years. Brian is a past Co-Chairman of the Plan Design and Qualification Subcommittee of the ABA Employee Benefits Committee and Co-Editor of the Plan Design and Administration and Special Taw Law Considerations Chapters for the original and First Edition of the ABA "Employee Benefits Law" treatise published by BNA. He has authored numerous articles on withdrawal liability and estate planning matters and is a frequent lecturer on a variety of topics, both at the state and national level. Brian also authored part of the original Chapter on "Withdrawal Liability" in this same BNA treatise.

AGENDA:		
	5:30 p.m.	Complimentary Cocktails
	6:30 p.m.	Presentation
	7:30 p.m.	Dinner

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Log onto our website by September 8, 2017 to make your reservation and pay with VISA or Master Card.
www.metrodetroitfepc.org

RESERVATIONS RECEIVED AFTER SEPTEMBER 8WILL COST $85.00 PER PERSON.

OR PLEASE MAIL YOUR RESERVATION AND CHECK BY SEPTEMBER 8 TO: COST: $60.00 PER PERSON
FEPCMD ● 33006 W. Seven Mile Road, #237 ● Livonia, MI 48152 ● Phone:(313) 530-9223 ● Fax: (248) 479-0350

MEMBER NAME: ______________________ ***GUEST NAME:*** ______________________
TOTAL ENCLOSED: ______________________ **SPECIAL MEAL REQUESTS:**______________________
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Death Benefit Returns within a Portfolio

The use of permanent insurance will continue to be a meaningful tool in estate planning, even in a situation where the death benefit isn't used to "pay the tax". Unlike marketable securities or physical assets, death benefit proceeds are cash at the exact time it is needed, removing the need to liquidate other holdings should the need arrive.

While for many of us it's not the optimal scenario, there are few financial products that can deliver the type of returns life insurance does in the early policy years. At life expectancy, we can look to the Internal Rate of Return (IRR) of the death benefit as a tax-free return on premium dollars. In light of equity market volatility over the past 10-15 years, we're seeing a trend towards the use of products with a contractual guarantee (e.g., Guaranteed Universal Life, or "GUL") as opposed to products that feature more cash accumulation, and therefore flexibility. (All guarantees are subject to the claims paying ability of the issuing company.)

The ability to predict, and in certain cases guarantee, a known rate of return at various points, allows for added flexibility in the use and deployment of other assets during life; the life insurance death benefit replenishes or levers up the portfolio when passed to the next generation. Using permanent insurance also provides a funding source for estate equalization when balancing assets between multiple family members, or as a simple tool to provide a "target" inheritance to heirs.

Long Term Care Planning

A mentor of mine would often say that 'actuaries are smart people' (he of course being one), and, by-in-large, that's certainly true. One area where actuaries and life insurance companies came up short was in the pricing of stand-alone long term care products. Many of these contracts came with non-guaranteed renewal premiums and little or no equity component to use as an escape hatch. Several insurers left the marketplace, and those that stayed generally raised costs for existing policy holders.

The definitions of long term care are specially defined as the inability to perform two of the six Activities of Daily Living ("ADLs") or mental/cognitive impairment; in other words, needing care didn't automatically qualify for getting a benefit.

Going forward, the planning for long term care through insurance has largely been incorporated as part of the strategies and design detailed earlier. For more direct coverage, many insurance carriers now provide a rider available on permanent products that will accelerate the death benefit in the case of a long term care event (sometimes at an additional cost). Should the insured never need that money for care, a death benefit is still payable to the beneficiary, preventing the loss of those premiums. In situations where individuals are seeking less rigidity in a qualifying definition for access to the policy value, an over-funded cash accumulation product can be a tax-preferred means of self-insuring.

Life Insurance as Role Player in Estate Freezes

The combination of rising interest rates and questions over whether proposed Treasury Regulations under Code Section 2704 will become finalized is creating a shrinking window of opportunity for using estate freeze techniques as a way to move asset appreciation out of the estate. In these techniques, life insurance can provide a supplemental role, as a non-correlated asset class for investment performance protection and/or as a hedge against mortality risk in a zeroed-out Grantor Retained Annuity Trust (GRAT).

Questions and uncertainty around taxes aren't new to 2017, nor will this be the last time we're faced with a potential change. The fundamentals properties of life insurance will continue to make these products important assets within an asset plan, independent of short term changes to tax law.

Michael is a 2004 graduate of Swarthmore College with a degree in Biology. He has over 12 years of experience in the insurance industry, joining 1847 Financial in August, 2016. Currently, Michael holds a Life Accident and Health, Series 65, 63, 6 and 7 Licenses. He received his Chartered Life Underwriter (CLU®) designation from The American College of Financial Services in 2017. Michael has been a speaker at several industry marketing events, focusing on the technical aspects of life insurance design and application.

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OAKLAND UNIVERSITY Professional and Continuing Education

Five Organizations Come Together To Present

"Money in Motion "
How to Deal with a Sudden Shift in Money Due to Divorce
Thursday, October 26, 2017

PASQUALE'S RESTAURANT
Mediterranean Room
31555 Woodward Avenue, Royal Oak, MI 48073
(Between 13 and 14 Mile Roads)

Panel Discussion

Pete Gargasoulas, CFP, CIMA, Fifth Third Private Bank
Pete earned his Bachelor of Arts degree in Accounting from Michigan State University, and joined Fifth Third Bank in March, 2007, with over 20 years of Wealth Management experience as a Senior Portfolio Manager and Equity Research Analyst. Pete has been selected for a variety of interviews from top news organizations, including Bloomberg, Reuters, and CNNfn.

Natalia Kujan Gentry, JD, Natalia Law
Natalia advises her clients on high profile and complex family law litigation including prenuptial and postnuptial agreements, divorce, and estate planning including wealth transfer documents.

Courtney L. Kosnick, E.A., Better Business Tax & Accounting, Inc.
Courtney sat for the Enrolled Agents Exam administered by the IRS in 2001. She has also completed a rigorous three year fellowship with the National Tax Practice Institute. Following her passion, all things related to the tax code, she is studying for the USTCP exam that will be administered in Washington DC in November of 2018.

Joseph R. Owens, JD, Warner Norcross & Judd
Joe advises business and individuals in trust and estate planning, tax planning, business succession planning and general business law. His practice is relationship-driven and clients rely on his responsive, comprehensive approach to protecting their assets, providing for heirs, and ensuring continued prosperity for their business.

AGENDA:		
	10:30 a.m.	**Registration & Networking**
	11:20 a.m.	**Buffet Dining**
	11:30 a.m. – 12:30 p.m.	**Presentation – Q&A**

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Log onto our website by October 19 to make your reservation and pay with VISA or Master Card.
www.metrodetroitfepc.org

OR PLEASE MAIL YOUR RESERVATION AND CHECK BY October 19 TO:

COST: $10.00 PER PERSON

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MEMBER NAME: ______________________________ **COMPANY NAME:** ______________________________

GUEST NAME: ______________________________ **TOTAL ENCLOSED:** ______________________________
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