

FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT

JUNE 2021

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"The Six Ds of Appraisals"

[REGISTER HERE](https://us02web.zoom.us/webinar/register/WN_iHhFg6F1RQCTI9orz0wiOA)

9-22-21 In-Person Event, 5:30 pm ET Cocktails Outside (weather permitting) & Music - 6:30 pm Dinner & Presentation / Jill L. Miller, JD

"How To Choose A Fiduciary - Update & Interactive Workshop"

[Detroit Golf Club](https://www.detroitgolfclub.org/), 17911 Hamilton Road, Detroit, MI 48203

[REGISTER HERE](https://www.metrodetroitfepc.org/events/register/20988)

10-14-21 Virtual Webinar, 11:00 am ET / Robert A. Dye, Ph.D., Comerica

"Economic Outlook and Forecast Presentation

[REGISTER HERE](https://us02web.zoom.us/webinar/register/WN_9W4BMyjKSxCddGfeHYgXrA)

11-10-21 In-Person Event, 5:30 pm ET Cocktails Outside- 6:30 pm Dinner Annual Meeting - 6:45 pm to 8:00pm Presentation and Q&A

Panelists: Margaret G. Lodise, Stacy E. Singer and Akane R. Suzuki

"Touching the Third Rail: Diversity, Culture and Ethics in Estate Planning"

[Detroit Golf Club](https://www.detroitgolfclub.org/), 17911 Hamilton Road, Detroit, MI 48203

[REGISTER HERE](https://www.metrodetroitfepc.org/events/register/21168)

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**PRESIDENT'S MESSAGE**

I hope you have all enjoyed the unbelievable string of hot, sunny, dry days over the past weeks. As I write this letter, Summer has arrived with a vengeance with above normal high temperatures. As much I do not like hot and humid weather, I know that Summer brings cool summer nights sitting around the fire pit, pool days at my sister’s house, concerts at DTE, hearing music from an ice cream truck making its way down my street, and spending time outside at events with family and friends.

Thankfully, the weather cooperated for our annual golf outing on May 24th. The day started with over 100 golfers arriving at Wabeek Country Club for a day of playing 18 holes. As being part of the golf committee, it was such a joy to finally see friends for the first time in over 15 months and be part of the first in-person event that the FEPCMD hosted since February 2020. Congratulations to the winning foursome and all the hole winners. Also, I am extremely proud to report that this year’s FEPCMD golf outing charity recipient, “Blessing in a Backpack”, received donations totaling $2,750. This non-profit mobilizes communities, individuals, and resources to provide food on the weekends for elementary school children across America who might otherwise go hungry.

As mask restrictions are scheduled to be removed soon, the Board of Directors is thrilled to host the first in-person members’ dinner event on September 22, 2021. As President, I am excited about this event. I have missed entering the room at our quarterly meetings and seeing members engaged in conversation near and around the bar during happy hour, people shaking hands and smiling, introducing myself to new members, and receiving hugs from old time friends. I may have taken those in-person events in the past for granted, but one thing that the pandemic did teach me is the need to be part of an organization that feels like family.

As we approach the halfway mark of the year, I ask that each of you consider looking for ways to get involved with the Council by being an active member of committees, by proactively offering your program ideas, and promoting and attending our events. From personal experience, I know that the more you put into the organization, the more you will gain from it. I am proud of the Program Committee who has quality events scheduled for the rest of the year. For more information, please take time to read those event notifications located in the newsletter.

We look forward to seeing you in September and as always, welcome any feedback that you have.

Enjoy your Summer!

Sally Vaughn, CTFA/President



**THE FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT**

**Presents**

# Tuesday, August 10, 2021

**AGENDA:**

 **11:00 am presentation – 11:50 am Q&A**

**COMPLIMENTARY WEBINAR**

[**REGISTER HERE**](https://us02web.zoom.us/webinar/register/WN_iHhFg6F1RQCTI9orz0wiOA)

**TIM LUKE, CAI, BAS, MPPA, ISA-AM**

**Hindman Auctions**

**“The Six Ds of Appraisals”**



**PRESENTATION OUTCOMES:**

1. How to choose the best appraiser for each situation
2. Questions to ask when considering hiring an appraiser
3. What makes the Uniform Standards of Professional Appraisal Practice the gold standard for appraisal reports

**Tim Luke: Director, Appraisals & Valuations, National Senior Appraiser** **- Auctioneer, Hindman Auctions - Chicago, IL** Responsibilities include: auctioneering various sales in Florida and across the country; providing valuation services; evaluating collections; preparing USPAP compliant estate, divorce, donation an insurance appraisals; providing expert witness reports and testimony in the areas of auction, personal property valuations and appraisal report reviews for clients; brokerage of collections; business development in the areas of appraisal and brokerage in Florida and throughout the United States; provide fundraising and special events consulting and auctioneering to various non-profits across the United States.

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**THE FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT**

**Presents**

# Wednesday, September 22, 2021

**Detroit Golf Club, 17911 Hamilton Road, Detroit, MI 48203**

**Jill L. Miller, JD**

**“How To Choose A Fiduciary – Update & Interactive Workshop”**

Choosing the right fiduciaries in the initial planning stage is a critical part of the estate planning process. One that can mean the difference between the smooth administration of an estate, with family harmony and low professional fees, or a protracted difficult process that can result in family fractures. This program will discuss the different types of fiduciaries, the job description of each, and provide practical pointers on how to make the right decision. A planning professional who is aware of the importance of these decisions can add significant value to their client and their relationship. This program will also contain an interactive workshop where attendees can go through the process of choosing their fiduciaries and determining if they themselves have made the right choices.



**Jill Miller**, the principal of Jill Miller & Associates, P.C., focuses on formulating sophisticated and highly personalized estate plans for individuals and families with the objectives of minimizing estate taxes and family discord. She also has a particular expertise in estate matters affecting non-US citizens and non-traditional families. Jill takes a detailed and practical approach to the administration of estates. Complicated probate issues are addressed and resolved. Estate tax returns are prepared to minimize the risk of audit.

Jill founded the firm in January of 2004, after working for over a decade in trusts and estates law. Jill is a fellow of the American College of Trust and Estate Counsel and is a frequent lecturer on estate planning at both private and public symposia. Jill is currently the Director of the Estate Planning Clinic and adjunct professor of Law at Cornell Law School and was an Adjunct Professor at Fordham Law School, teaching Trusts and Estates from 2005 to 2014. Jill is AV Preeminent Peer Review rated by Martindale-Hubbell and is named as a Super Lawyer.

**AGENDA: 5:30 p.m. Complimentary Cocktails (outside weather permitting) / 6:30 p.m. Presentation & Dinner**

**Terry Altman, FEPCMD past president, will provide entertainment during the cocktail hour**

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***Log onto our website by September 10, 2021* *RESERVATIONS RECEIVED AFTER SEPTEMBER 10 WILL COST $85.00 PER PERSON.***

**OR PLEASE MAIL YOUR RESERVATION AND CHECK BY 9-10-21 TO:** **COST: $70.00 PER PERSON THROUGH 9-10-21**

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**TOTAL ENCLOSED: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ SPECIAL MEAL REQUESTS:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**THE FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT**

**Presents**

# Thursday, October 14, 2021

**AGENDA:**

 **11:00 am presentation – 11:50 am Q&A**

**COMPLIMENTARY WEBINAR**

[**REGISTER HERE**](https://us02web.zoom.us/webinar/register/WN_9W4BMyjKSxCddGfeHYgXrA)

**Please join us for an Economic outlook and forecast presentation from Comerica Bank Senior Vice President and Chief Economist**

 **Robert A. Dye, Ph.D,**



**PRESENTATION OUTCOMES:**

* **What does normalization in the labor market look like?**
* **The persistence of inflation and its impact on monetary policy.**
* **Productivity and potential in the pre-post-Covid economy.**

**Robert A. Dye Ph.D.** is Senior Vice President and Chief Economist at Comerica Bank. He leads the Comerica Economics Department, which provides research and analysis vital to Comerica and its customers, as well as business leaders and policy makers throughout the country. Dye provides commentary and research on the U.S. economy and the economies of California, Texas, Arizona Florida and Michigan – Comerica’s primary markets. His regular publications include the monthly U.S. Economic Update, the Comerica Economic Weekly, daily economic alerts and monthly state-level Economic Activity Indexes. He joined Comerica in July 2011.

Dye is a former director of the National Association of Business Economics and is a member of the Economic Advisory Committee of the American Bankers Association. He is past president of the Economic Club of Pittsburgh. A graduate of Marietta College, Dye earned a BS degree in Petroleum Engineering. He holds a master's degree in Natural Resources from Ball State University and a doctorate in Energy Management and Policy from University of Pennsylvania. Dye is frequently quoted in national, regional and local media. You can follow him on Twitter **@Comerica\_Econ**.

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HOLE

**THE FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT**

**Presents**

# Wednesday, November 10, 2021

**Detroit Golf Club, 17911 Hamilton Road, Detroit, MI 48203**

**Margaret G. Lodise, Stacy E. Singer, Akane R. Suzuki**

**“Touching the Third Rail: Diversity, Culture and Ethics in Estate Planning”**

**And the Detroit Council Annual Meeting**

** ** 

 **Margaret G. Lodise Stacy E. Singer Akane R. Suzuki**

 ***Sacks, Glazier, Northern Trust Perkins Coie, LLP***

 ***Franklin & Lodise LLP***

**Please Stay Tuned For Complete Information!**

1. Various religious belief systems have different approaches to estate planning issues that can affect how individuals with those belief systems look at eth estate planning process.  Understanding how Christianity, Judaism and Islam view estate planning can help an estate planner to be better prepared for those discussions.
2. Cultural issues can also have a significant impact on estate planning.  As an example, many Asian cultures have distinct views on the role of children, transparency and other issues that can affect the estate planning process.
3. Religious and cultural issues implicate a variety of ethical rules, including competence, diligence, confidentiality and conflicts of interest.

**AGENDA: 5:30 p.m. Complimentary Cocktails**

 **6:30 p.m. Annual Meeting and Dinner**

**6:45p.m. 60 Minute Presentation Followed by Q&A**

A Wait-and-See Legacy Planning Approach: Maintain Flexibility While Getting a Foot in the Door

*Michael C. DeFillipo, CLU, ChFC*

One of the key challenges to legacy planning for clients and their advisors is designing and implementing long term strategies based on current laws that are subject to change without any further legislation. As seems to have been the case since 2010, we are now faced with more uncertainty on the future of tax law - especially as it pertains to the estate tax exclusion amount (and the potential change to the step-up in basis rules).

**The Exemption**

The Tax Cuts and Jobs Act of 2017 (the “TCJA”) increased the federal estate, gift and generation-skipping transfer (“GST”) tax exemptions from $5,000,000 (indexed for inflation) per person to $10,000,000 (indexed for inflation) per person beginning on January 1, 2018. To comply with certain budgetary constraints, the TCJA contains a “sunset,” or expiration date, of December 31, 2025, at which time the previously listed exemptions are set to expire and revert to the previous $5,000,000 (indexed for inflation) levels.

While it may appear that there’s a legislative pathway of understanding how these exemptions are set to change, there are several examples over the last 20 years of how this might not happen. The Economic Growth and Tax Relief Reconciliation Act of 2001 gradually raised the exemption amount from $675,000 to $3.5 million in 2009. Without legislative action, the estate tax was temporarily eliminated in 2010. Then in 2011 in a somewhat unexpected manner, the exemption did not revert to a prior level but instead was raised to $5,000,000 (inflation adjusted). In early 2013, when that law was set to expire, Congress instead made the increase permanent and enacted law changes to raise it annually with inflation. For 2013, the exemption was $5,250,000.

With the Democrats now in control of both houses of Congress and the Executive Branch, the chances for tax legislation increase significantly. The Federal government will at some point need to raise revenue to offset the expenditures related to the stimulus to combat the economic hardship of the COVID-19 pandemic as well as the proposed infrastructure plan. President Biden has discussed several proposals that contain language to reduce the exemption levels down to $3,500,000 per individual.

Based on the current sunset language of the TCJA and the change in government control, there is reason to believe a reduction in exemption levels will occur at some point in the next few years, possibly sooner. With all this uncertainty, flexibility is a key aspect of planning. Clients with assets below the current exemption levels may not know if they have or will have an estate tax liability or how big it will be. Further, gifting significant assets either in a lump sum or through annual giving may not be desirable, perhaps because of cash flow issues and/or a hesitancy to lose control over assets during life.

**The Concept**

A potential solution to this quandary is a “Wait-and-See” approach using a permanent survivorship insurance policy paid for by a single premium designed to fund the policy for a limited time to lock in current insurability and pricing. At some future point, depending upon changes to tax laws and/or the clients’ net worth and/or family situation, the insureds will determine whether to pay future premiums to increase the coverage, lapse or surrender the policy, or reduce and maintain some form of coverage.

This asset can be held in the estate and, if it is to be maintained for legacy purposes, transferred into an Irrevocable Life Insurance Trust (“ILIT”) at a later date. By owning the policy outright, the insureds have access to the cash value during their lifetimes if they need it. This helps to further increase the flexible nature of this design. If and when there is a change to exemption levels, the policy can be transferred to an ILIT (gifted or sold but if gifted, the donor must survive three years after the gift) moving the death benefit (and cash value) out of the estate for transfer tax purposes.

Depending upon the age and insurability of the individuals, it is possible to combine a cash accumulation policy (such as a Variable Universal Life, Indexed Universal Life or Current Assumption Universal Life) with a limited or lifetime contractual death benefit guarantee. The secondary guarantee can provide death benefit protection for a set amount of time based on the planned premium schedule to guarantee the policy will remain in force independent of external economic factors or changes to underlying insurance costs. Continued low interest rates have negatively impacted the pricing of these types of guarantees and we anticipate that this will continue in the future.

Incorporating permanent life insurance along with liquid assets (stocks and bonds) can improve the risk and return characteristics of a portfolio under Modern Portfolio Theory (“MPT”). The performance of the policy, measured by the Internal Rate of Return (“IRR”), is contingent upon mortality – the stated death benefit in a level design is paid at the time of death of the insured(s) – and not upon a valuation subject to change, such as equity prices.

In this way, the primary factor in improving overall risk-adjusted returns for the portfolio is the low-risk characteristic of life insurance. This risk can be further lowered by the use of the secondary guarantees through expected mortality that were mentioned above. While the lowered risk component is the driver of an improved efficient frontier, the tax-free IRRs illustrated are favorable compared to similar low-risk or risk-free fixed income alternatives.

The additional advantage to adding life insurance as part of a portfolio is the balancing of “bet to live” and “bet to die.” Asset growth is dependent on two primary factors: the rate of return and time. For marketable securities, projections of asset growth will perform better over a longer period of time assuming continued positive returns. The returns on life insurance are generally at their highest earlier on in the policy, when less premiums have been paid and the full death benefit is in force.

The Wait-and-See approach allows for investable assets to continue to be active in the market (bet to live) over an extended period of time while reallocating a small portion of the portfolio – most likely from fixed income or cash holdings – as a potentially high return asset should an early mortality occur. (Nobody volunteers for this, but the returns are quite attractive.) During the period of time between the initial premium and the resumption of insurance funding in the future, current cash flow and/or existing assets can be allocated to a more aggressive risk model since the insurance now acts as super-charged fixed income holding.

**The SECURE Act**

This Wait-and-See design can be particularly attractive to clients in their 40s and 50s due to the changes for IRAs and Defined Contribution Plans after the passing of the SECURE Act. The benefits of the SECURE Act were allowing contributions to traditional IRAs after Age 70 ½ and pushing back the Required Beginning Date (“RBD”) of Required Minimum Distributions (RMDs) from 70 ½ to 72.

To offset the future cost of delaying income tax revenue through these changes, the SECURE Act essentially eliminated the Stretch IRA as a legacy planning tool. Unless one of the limited exemptions apply, benefits generally must be fully distributed from Inherited IRAs to Designated Beneficiaries within 10 years of the account owner’s death. This change may dramatically impact the income tax burden on a beneficiary receiving a substantial inherited IRA.

Combining the Wait-and-See concept with IRA tax-planning, clients can “seed” the policy with an initial premium from taxable savings or current cash flow and design the policy to remain inforce until qualified money can be accessed without penalty. This technique creates a secondary benefit of recharacterizing dollars that would be taxable to beneficiaries into a tax-free death benefit.

**Applications**

The overarching concept of implementing survivorship permanent insurance focuses on flexibility and is applicable to multiple planning scenarios. A version of the strategy can be used in several different situations, such as:

• Married couple in their mid-40s with robust cash flow and significant retirement assets that will continue to grow through contributions to their Profit Sharing and Defined Benefit Plan. Secured $5,000,000 of death benefit with a single premium designed to guarantee coverage for 17 years, when funding will resume at a point after the 10% early withdrawal penalty no longer applies.

• Individual business owner with several overfunded existing individual life contracts looking to change focus from protection to legacy planning. The strategy is to repurpose the cash value in the individual policies over a three-year period as funding for a survivorship policy. Premiums resume after 10 years when RMDs will be mandatory. In this example, the main asset of the client is a large illiquid business holding. If sold prior to the RBD, the proceeds may be used to accelerate life insurance funding.

• Using life insurance as a funding source for special needs planning. Current income is being used for lifestyle needs and tax management. Funding insurance held within a Special Needs Trust with a single premium and delaying funding until Age 72.

The Wait-and-See approach bridges the gap between current favorable insurability and the timing of a tax-efficient future funding source. In the interim, investable assets can continue to be active within a portfolio and not used to support insurance costs. Should there be a significant reduction in the estate tax exclusion amount, either by sunset of current law or new legislation, the life insurance can be transferred into a trust as an estate planning tool.

Beyond the IRR at mortality, life insurance provides other key benefits to an overall plan, including liquidity almost immediately upon death, income tax-free benefits, the ability to add contractual death benefit guarantees, a hedge against premature death and an asset that does not require valuation or that is subject to volatility.

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Explaining the Accredited Estate Planner Designation

Professional estate planners can achieve an accreditation that acknowledges their experience and specialization in estate planning. Simply put, the AEP® designation means “I believe in the team concept of estate planning.” The only graduate level, multi-disciplinary credential in estate planning, the AEP® designation is awarded by the NAEPC, of which the Financial and Estate Planning Council of Metropolitan Detroit is a member chapter, to professionals who meet special requirements of education, experience, knowledge, and professional reputation. Available to actively engaged estate planning professionals, holding the AEP® designation helps clients and colleagues understand the designee’s dedication to the collaborative approach to estate planning.

If you would like to learn more, visit the [NAEPC website](https://www.naepc.org/designations/estate-planners) or be in touch directly with Susan Austin-Carney, Designation Administrator, by email at susan@naepc.org or by phone at 866-226-2224.

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