

Point of Interest

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Unexpected Risks of Choosing a Trustee

One aspect of estate planning that deserves far more attention than it usually gets is the question of who would be most qualified and effective in the role of trustee. Lawyers can prepare estate planning documents of superb technical quality, but if the fiduciaries entrusted to implement the directives in those documents are in any way inappropriate, the client's goals likely will fail to be achieved.

Who is best suited to serve as a trustee or co-trustee? That depends on individual circumstances, which, of course, can vary dramatically. Often friends or family members agree to serve as trustees based solely on their relationships with the grantor of the trust. After all, the thinking goes, who better to serve as trustee than someone who has been part of your life for many years?

But a close personal relationship isn't necessarily the best qualification to serve as trustee. In many situations, designating an independent, professional trustee is a better option. (That is why a number of our clients choose Trust Point for the role of trustee or co-trustee.) Even though there may be costs associated with it, having a professional trained on the ins

and outs of investments, taxes, account administration, and legal issues is invaluable.

In some estate plans co-trustees are designated with one being a professional and the other a family member or friend. Such arrangements can be designed in different ways, with some requiring co-trustees to agree on all decisions and others dividing up responsibilities. For instance, a trust company can track tax issues, issue account statements, and make investment decisions, while a family member is in charge of decisions about distributions.

Potential liability is a serious issue for any trustee or co-trustee. Liability claims related to trustee services are not usually made by the grantor of the trust, but most often by trust beneficiaries. A trustee has a duty of loyalty to both the trust grantor and the beneficiary, as well as a duty of impartiality among multiple beneficiaries.

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Professional liability claims related to trustee services frequently allege one or more of the following:

- The trustee influenced distribution of trust assets to the detriment of one or more beneficiaries.
- The trustee mismanaged the affairs of the trust or failed to protect its assets.
- The trustee made bad investment decisions or gave bad advice regarding trust assets.

The primary duty of a trustee or co-trustee is to administer the trust in accordance with the terms specified in the trust document. That may sound simple and even stodgy, but it means that "trustee" is not a job for the faint of heart—because family squabbles can get very ugly when trust documents are subject to interpretation and money is involved. Thus, designating trustees (and successor trustees) who can handle all of the responsibility is among the most critical considerations in a successful estate planning process.

Tax Briefs

Tax Reform Update

In our last edition, we promised to keep you up to date on tax legislation as it develops in 2017. At this time, there is very little new information to share. President Trump released a one-page outline in late April that described priorities and goals for tax reform, but details were supposed to be hammered out with congressional leaders in the months ahead.

It currently appears that a major tax overhaul may not be in the cards for this year. The Trump administration may end up settling for temporary tax cuts, rather than permanent tax reform, in order to get something passed in Congress. We expect to see some kind of impact on our income and estate tax systems, but who knows what or when it will be?

Estate Tax/Basis Step-Up

One issue still up in the air regarding a potential repeal of the federal estate tax is whether

the step-up in basis at death would also be eliminated. Currently, an investor who sells a highly appreciated asset might have a large, taxable capital gain. If the investor holds it until death, heirs can avoid capital gains taxes due to the step-up in basis, which adjusts—for income tax purposes—the value of an appreciated asset to the value at the time of death.

Ideas floated in the past include imposing a Canadian-style capital gains tax at death in place of a federal estate tax. This approach likely would include an exception tied either to a dollar amount or to specific assets such as a family farm or closely-held business. Lawmakers may be looking for new ways to raise revenue to offset the cost of significantly cutting tax rates, so this idea may gain traction. A new tax at death could encourage people to sell appreciated assets earlier. This would have a huge tax impact for many of our clients. Stay tuned.

Tax Filing Season

Now that the income tax filing season is past, here are some interesting facts announced recently by the IRS:

- During the last week of tax filing season ending April 21, the IRS received more than 17 million tax returns. That's a lot of procrastinators.
- The number of refunds issued this year swelled to 97 million, out of 135 million tax returns filed. The average dollar amount was \$2,763, up slightly from last year. More than 80% of those dollars were direct-deposited into taxpayer's accounts.
- Taxpayers filed 11.6 million extension requests this filing season, up slightly from last year. The vast majority were e-filed.

Trust Point News

Gundersen Women's Financial Series

We are proud to announce that Trust Point's own Brenda Stuhr, CPA, CTFA, will again be one of the featured speakers at the Gundersen Medical Foundation's Women's Financial Planning workshop. Her presentation is scheduled from 5:30 p.m. to 8

p.m. on Wednesday, July 26, in a session regarding Financial Management, Investments, and Taxes. Brenda, a key member of the Wealth Management division in our La Crosse office, recently celebrated her 22nd anniversary at Trust Point.

Stork Report

We are happy to announce that the Stork made two recent visits to our La Crosse office. Jason and Naomi Munz are the proud parents of Mya Laurynn, born March 13. Dustin and Ali Cunningham are the proud parents of Ella Jo, born May 21. Congratulations to Jason, Dustin, and their families.

Meet our Team



Pictured:

Left to Right; Brenda Stuhr, CPA, CTFA; Dar Isaacson, CPA, PFS; Brian Koopman CFP®, CPA, CTFA; Janet Bahr, CTFA; Debbie Seiler; Christine Schmidt, CFP®

Seated; Randy Van Rooyen, CFA® ; Cassie Feller, CPA; Mark Chamberlain, JD, CPA; Leslie Klinski

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