



Example Action Plan

To: John and Jane Smith
111 N. Wabash Ave
Chicago, IL 60602

Re: Smith Estate Plan

Hello John and Jane,

It was good to meet you both (and your daughter). Our goal at Savant Wealth Management is to help you with your current trustee responsibilities. In addition to the three hours we spent discussing issues and background of the Smith Family Limited Partnership (LP), the Smith Children's Trust (Children's Trust) and the John Smith Trust (Trust), you asked me to review these documents and provide my strategic insights on how to help organize, prioritize and optimize your responsibilities.

Based on our discussions and my review of the documents you provided, the rest of this memo is divided into Goals, Observations, Actions Steps, Services and Follow Up to consider. Please recognize that this summary is not all-inclusive and contains my opinions which, if I had more information about your family dynamics, may be different than what is stated below.

Goals:

- Carry out John Smith's legacy intentions (provide support to children and grandchildren's education).
- Minimize effort necessary to administer and execute the Smith estate plan.
- Maintain opportunities to promote productive family time together.
- Target complete termination of the LP and the Children's Trust by 2034 unless extended for future family or estate planning purposes.

Observations from Document Review:

1. The Trust should be divided into four equal shares because none of John's children are under 21 years old. The shares should be distributed outright to each sibling as follows: 33% for those over 30, 50% for those over 35, and 100% for those over 40.
2. The Children's Trust is designed to last 21 years at most. The goal of the trust is to provide necessary and proper support for John's children.
3. The Children's Trust should be divided into four shares. The only assets for each trust share will be 25% of the LP and 25% of any investment account held by the Children's Trust.



4. Normally, Irrevocable Life Insurance Trusts (ILITs) are designed to pay estate taxes, if any, on the gross estate. The ILIT has already been distributed.
5. The general partner of the LP and the trustees for the Trust and the Children's Trust are entitled to compensation.
6. I could not determine the owner of XYZ Inc., the general partner of the LP. The trust is likely the owner if a pour over will was in place. A review of the annual filing with the Secretary of State should clarify ownership.

Action Steps:

1. Determine if any historic accounting records are available for any of the estate entities.
2. Gather all prior year tax returns for John Smith, XYZ Inc, LP and Children's Trust.
3. Complete tax returns for 2013 by July 1, 2014. Because the LP and the Trusts are flow through entities (income can pass through to the beneficiaries), you will need to determine if you are better off having the trusts pay taxes (typically at high marginal tax rates) or passing the income through to the beneficiaries (you and your siblings). Savant can review the returns to help you assess the impact of passing income or losses to the beneficiaries. Identify if any of the siblings have already filed a 2013 return.
 - a. Order of returns for 2013 is as follows: Final Return for John Smith, LP, XYZ, Inc, Trust, Children's Trust, ILIT (final if no income reported for 2014).
 - b. Order of returns for 2014: LP, XYZ, Inc., Children's Trust, ILIT (if no final return for 2013), Trust (final return assuming it is 100% distributed). Strive to have all future tax returns done prior to due dates so that K1s can be distributed to all affected parties.
4. Either purchase bookkeeping software or hire a trust administrator to keep track of accounting for income and principal distribution purposes.
5. Set up the LP to distribute income to the beneficiaries at least annually.
6. Distribute the non-income producing vacation property to the beneficiaries directly out of the LP.
7. Consider establishing an LLC to hold title to the condo to limit liability amongst the co-owners and to facilitate sharing common expenses.
8. Liquidate all assets in the LP that will not generate competitive market returns or that take more than one hour per month to manage (rental properties, vacation homes, etc.).
9. If you maintain vacant lots, structure the LP lot development so that the lot sales are treated as long-term capital gains (in an attempt to lower taxes).
10. Look to liquidate all assets in the LP, especially illiquid assets (private bank stock, etc.).

11. Refinance your mortgage and have the proceeds deposited into the LP to fund future distributions to Children's Trust.
12. Distribute all cash in the LP into Children's Trust to be invested.
13. Determine a reasonable per hour dollar amount at which family members should be compensated if they have to spend more than _ hours per month working for the benefit of the estate entities.
14. Have a family meeting every year to determine family member needs and to determine if the Children's Trust investments are structured appropriately to satisfy those needs.
15. In light of this inheritance, all siblings should review their own estate plans.

Savant Wealth Management Services:

- Savant could provide our Comprehensive Wealth Management services to the Smith family). This would include the services described on the attached brochure as well as being a sounding board for LP and Children's Trust matters, to the extent they would affect the Smith family.
- Savant could also act as investment advisor for the Trust investments (to the extent not distributed), the LP and the Children's Trust.
- Savant could provide additional consulting services if required to LP and Children's Trust.
- A description of our fees and services are more fully described in our Form ADV Brochure available at www.savantwealth.com.

Follow Up:

1. Upon confirmation of the goals and action steps, we can help you determine how best to consolidate accounts (for efficiency purposes), determine the investment goals for the accounts, and provide specific investment recommendations.

Savant approaches every client relationship as an investment fiduciary. I'm confident that our ongoing professional guidance and oversight will help you and your family reach your goals.

Sincerely,

Donald D. Duncan MBA CFA™ CPA CFP®
Savant Wealth Management

This example is intended for illustrative purposes only and is not representative of actual client results.

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