



Taxes and Trusts

by John P. Koscianski, Attorney At Law

Great news! Starting January 1, 2013, the State of Ohio will no longer assess an estate tax (a.k.a. death tax or inheritance tax) on the value of a person's assets when they die. Assuming the Federal Government extends its estate tax exemption amount, this will completely eliminate estate taxes for most of us. What is the impact of that change on estate planning and, in particular, the Revocable Living Trust?

For many years, the State of Ohio has charged a tax on the value of your assets when you died. Recently, the first \$338,333 was exempt from taxation. However, if your estate exceeded that threshold, the Ohio tax was 6% on the excess amount and 7% on the amount of your estate over \$500,000. This tax is charged against all of your assets, including both probate and non-probate assets.

In order to minimize or avoid the estate tax, many people would give their assets away during their lifetimes, set up tax shelter trusts, or, in some cases, move out of Ohio and establish domicile in a state with no estate tax. But with the elimination of estate tax, such drastic steps are not necessary. So now we can keep our assets till we die, avoid sophisticated estate tax planning, and remain here in Ohio, buying Ohio goods and services, and generating sales taxes for the State of Ohio as well as local governments.

How does this change in the tax law affect the good ole Living Trust which enables a person's estate to avoid Probate Court? Is it still as beneficial? Will it still save my family money? And is my estate large enough to justify having a trust? The answers to those questions are a definite "yes."

It's important to keep all your assets until you die, because you never know what you will need in the future. If you worked hard, saved money, and invested wisely, you should not have to worry about being able to afford the kind of lifestyle you choose to live. And don't worry about leaving money to your kids; they will get whatever is left over. If you create a Living Trust and name yourself, or you and a spouse, as trustee and beneficiary, you will be in total control of all the assets you put into the Trust. It is easy to set up a Trust. It will not result in filing an extra tax return and you won't create extra "busy work" in addition to paying your monthly bills or reconciling your checking account.

If you create a Living Trust for yourself, you will achieve two important goals. First, you will avoid the jurisdiction of the Probate Court and the costs associated with a probate estate. Second, you will provide for an orderly transfer of your assets when you die.



John P. Koscianski

continued on page 2

LFG is Sliding Into Summer With New Hours!



Starting July 2nd the Lineweaver Financial Group main office will be open and have support staff from 8:00am to 4:30pm. Should you need an appointment with one of our advisors outside of those hours, please feel free to call our office to discuss a time convenient for you.

From all of us here at LFG, Have a great summer!

INSIDE THIS ISSUE

Taxes and Trusts	page 1
Letter From The President	page 2
Economic Commentary	page 3



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LETTER FROM THE PRESIDENT

by Jim Lineweaver, CFP®, President and Founder



Even though we now have great summer weather here in Northeast Ohio, financially there are still storm clouds on the horizon. With the uncertainty of Europe's ongoing financial problems, unrest in Syria, a Presidential election's impact on Congress' inaction, etc., we continue to think that this summer will mirror last summer, and be relatively volatile. With a keen awareness to risk overall, and anticipating continued volatility, we have taken steps where necessary to batten down the hatches.

In our managed portfolios, we have been making quarterly adjustments to weather market fluctuations. Due to the adjustments made in April to soften the rough waters ahead, we do not think an automatic adjustment will be warranted this summer. Our plans in those portfolios are to make changes as needed, and right now we are looking at the September-to-October timeframe, unless action is needed prior. That being said, if your circumstances change, it would probably be a good idea to alert us so we can assess your individual situation.

As the summer kicked off, I have had the great fortune to spend some valuable time with my family. I hope each of you also has the opportunity this summer to spend time with family and friends. It seems the traditional family is becoming a thing of the past, and we need to work harder each year to stay connected to those we love. The tendency of our children to move away from Cleveland once they've grown up just increases the need to actually plan times to be together. But the times we spend with family are precious, and they can create memories that last a lifetime—memories that will be a source of happiness later in life! May you all enjoy the Summer of 2012 with family and friends!

“Money, if it does not bring you happiness, will at least help you be miserable in comfort.”

- Helen Gurley Brown

Taxes and Trusts *continued from page 1*

Okay, in regard to the expense of Probate Court, here is the dirty, little secret you may not know. Several counties in Northeastern Ohio allow legal fees for Probate administration to be based on a percentage of the value of your estate. In Cuyahoga County, for instance, an attorney can charge 4% of the first \$100,000, 3% of the next \$300,000, and 2% thereafter. The Court will also allow additional fees based upon the value of non-probate assets. Attorney fees for Probate administration can be high; but with a Living Trust, your assets will completely avoid the jurisdiction of the Probate Court and legal fees will be kept to a minimum. Money will be saved for the benefit of your heirs.

Here is my favorite benefit to the Trust. The person you name as your successor trustee, to take over when you die, will be in charge of disposition of your remaining assets. There will be one person making decisions, closing accounts, signing listing agreements, paying bills, filing tax returns, and taking care of your final affairs; much like an executor, but outside of Probate Court. Conflicts will be avoided since only one person is in charge. However, that person **MUST** be trustworthy, level-headed, and have common sense.

Oh, yeah, one more benefit: The assets in your Trust will be exempt from any creditor claims made against your estate. You see, in Ohio creditors can only seek recovery from your probate estate and any assets in a Trust are non-probate.

So hurray for Ohio eliminating estate taxes. Families will be able to save more money. Estate planning should become less complicated for most of us. But the benefits of the good ole Living Trust still exist for all of us to take advantage of.

And don't believe: “Trusts are too expensive” or “My estate isn't big enough.” Baloney--most estate planning lawyers charge reasonable rates for their services, and no estate is too small to avoid the expenses associated with Probate Court.

Look for an upcoming Education Series on this topic in the Fall! John P. Koscianski is an attorney with the Law Firm of Koscianski and Koscianski.

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LINEWEAVER FINANCIAL GROUP IS GOING GREEN!

We are happy to announce that once again our Newsletter is available through email. If you would like to take advantage of this service, please email Kate at Kate@lineweaver.net.



CLIENT THOUGHTS

Jim has provided my wife and me with some real peace of mind for our financial future. He has helped me with a personal IRA and has set up individual mutual fund accounts for all three of my children. It has been a privilege to work with such a knowledgeable and trustworthy individual.

-Thomas W.

MONEYWATCH

DJIA: 12,880.09

IQ: - 2.5%

10 Year Treasury Note Yield: 1.66%

6/30/11: 3.16% 3/30/12: 2.22%

30 Year Mortgage Rate: 3.56%

6/30/11: 4.64% 3/30/12: 4.03%

Source: Yahoo Finance

Past market performance is no guarantee of future investment performance or success.

It is not possible to invest directly in an index. Close of Market 6/29/2012

GOLDEN OPPORTUNITIES

Tune in to WKYC Channel 3 at 11:30 am every other Sunday to see Jim Lineweaver on the Golden Opportunities show with Armond Budish. Jim and Armond discuss current financial topics in an easy to understand format.

Upcoming shows and topics:

Sunday, July 22, 2012

Tax Efficient Investing

Sunday, August 26, 2012

Is Your Spouse Prepared to Handle the Finances?

Sunday, September 9, 2012

Who Needs a Trust?



ECONOMIC COMMENTARY

*by Stephen Yarmesch, AIF®
Riverview Research, LLC*

As the second quarter came to a close, The S&P 500 Index is slightly up from where it began the year, following a surge in gains that ended in early April.

Despite mixed readings in the quarter, the U.S. economy generally showed a low risk of slipping back into recession. The jobless rate, while still high, has continued to decline. Other employment measures have demonstrated improvement, too. Falling energy prices have kept the lid on inflation and provided some uplift to consumer sentiment, which stands at its highest level since the recession.

The weak housing market continues to display signs of stabilization as home prices firm, housing starts to improve, and homebuilder sentiment reaches levels last seen in 2007. With the corporate sector enjoying strong balance sheets, first-quarter S&P 500 earnings growth—at 8.1% year-over-year—was well above expectations.

The Conference Board's Leading Economic Index fell slightly in April, but nine of the 10 components have increased during the past six months. The manufacturing purchasing managers' index has moved further into expansionary territory—another sign that the underlying economic momentum is still heading in basically the right direction.

Most economic indicators remain solid, firmly placing the U.S. in what economists' term "a mid-cycle expansion phase" for the nation's businesses.

Market Outlook

Overall, the need for developed economies to find a balance between growth and fiscal austerity remained a considerable challenge in the second quarter. Recent European elections favored supporters of growth initiatives, but near-term changes are likely to be modest. In addition, the U.S. faces its own kind of fiscal anxiety going into 2013 and a new presidential administration – which will guarantee headline generating economic debates throughout the rest of 2012.

On the upside, lower commodity prices and receding inflationary pressures are providing room for more monetary accommodation from the world's central banks. The likely result: more monetary easing to stimulate the global economy.

While there are still significant risks facing the global environment, in general, the mid-cycle dynamic of the U.S. economy continues to provide a more favorable backdrop for U.S.-oriented risk assets over more global investments – a trend that has been fairly consistent since the beginning of the year.



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TRIVIA

Do you know the answer?

What was the largest note ever printed by the Bureau of Engraving and Printing?

\$100,000 Gold Certificate



We've found the key to productivity. It's Fred, down in the shop. He makes stuff.

EMPLOYEE SPOTLIGHT

Brian Koch

Brian Koch joined Lineweaver Financial Group last August. He is our newest Financial Consultant, and Brian is also heading up our Deferred Compensation Division. New and prospective clients may meet with him to set up their deferred compensation plans and discuss their overall financial affairs. He also establishes ongoing communication and meetings with city departments to provide continued education and support. Our Deferred Comp plans are being actively marketed by Brian to new municipalities in the Greater Cleveland area.



An avid University of Michigan fan (we will try not to hold that against him), Brian is originally from southeastern Michigan and graduated from The University of Toledo with a Finance degree in 2004. He started his career with Enterprise Rent-a-Car after college and moved up the ranks to Area Manager in the seven years he was with the company. Brian and his wife, Becca, currently have a dog which keeps them active. Brian is also an avid sports fan, and his hobbies include golfing, skiing, water skiing, and vacationing in warm climates.

Please welcome Brian to our team the next time you are here!

This Spotlight section also features Lineweaver Financial Group clients. Please consider sharing yourself with us. If you have an interesting hobby or have been on an exciting adventure, call Kate or email her at Kate@Lineweaver.net to share your story. We would love to hear from you!