

3rd Quarter 2011

FORWARD *thinking*

News and Notes



Karen J. Ellenbecker, President
ELLENBECKER INVESTMENT GROUP, INC.

We are halfway through the New Year and it felt as though winter would never end and spring would never arrive. However, we know that no matter how cold or long winter is, spring will eventually appear and summer will follow. In a world with only a few constants most of our decisions are based on beliefs and intuition. Many of these beliefs were not chosen consciously but instead have been taught. Regardless of how we came to our beliefs, they are the framework by which we make our decisions.

Have you ever asked yourself, "How did I get here?" I know that I have asked myself that question more than once. So often we make our decisions based on emotion rather than facts.

Our world moves rapidly and we make quick decisions because we can't find the time to ponder the decision making process or explore the options that are available.

Recently I was reviewing retirement projections with a client and he said, "When I was in my 30s I had no idea the difference it would have made to start saving earlier." Today, with facts in hand, we can look in the rear view mirror and wish we had done things differently. In January many of us made New Year's resolutions. If you haven't started tackling your goals, go back to the News & Notes in our January newsletter (ellenbecker.com) where I suggested fifteen financial goals to accomplish over the coming year.

A friend of mine went to racing school and I asked him what he had learned from the experience. He said his teacher kept saying to him, "Don't look in the rear view mirror! If you look in the rear view mirror you will hit the wall... keep your eyes looking forward to where you want to be in the future, look through the turn, down the straightaway, anticipate what is around each curve and bend." He couldn't believe how hard it was to focus on the road ahead and leave the past behind him. Looking in the rear view mirror is human nature and true of life itself. We so often focus on what we have done or need to do that we forget to plan for the future. As summer progresses, I challenge you to look to the future and anticipate what is around the curve.

What do we know?

We can be confident that that taxes will go up, inflation is on the rise, market volatility is very predictable, health care issues are abundant, health care costs are rising, Social Security will likely not be enough to fund retirement and aging parents may need our help both financially and emotionally.

What can we do?

- Make sure that you have reviewed your personal tax situation. Take advantage of saving in tax-deferred, tax-free, and taxable vehicles.

Many people make the mistake of saving only tax-deferred through an IRA or 401(k) which means when you start to spend from those accounts, Uncle Sam will get his share. Do you know what that share will be?

- It is important to understand how inflation will affect you. Are you protected with inflation hedges such as real estate and inflation-protected securities?
- Is your portfolio protected against excessive volatility? Do you have a written investment plan that controls volatility through rebalancing and investment review?
- Are you proactive with your health? What would happen to you or your spouse if you lost your health insurance through early or unplanned retirement?
- If one of you gets sick or passes away, will the surviving spouse be able to manage your family's finances or will they be vulnerable to unscrupulous advisors and bad advice?
- Do you know how much money you will need to withdraw from your investment portfolio in retirement to maintain your current lifestyle? Do you know the tax implications on your retirement account distributions? Do you know how your pension benefits work?
- If you want to assist your parents, make sure that they have a suitable estate plan including powers of attorney for health care and finances. Understand their wishes, goals and where their financial and personal information is kept.

My friend's driving teacher also said, "Don't blindly follow the guy in front of you; when you follow the guy in front of you and do what he does, you make the same mistakes he does." It takes a certain amount of concentration and determination to remain focused forward. Forward thinking means that you take the necessary steps toward a happier and more fulfilling life. If we can help you tackle any hurdles that are keeping you in the passenger seat rather than the driver's seat, please give us a call and we will help you gain control and look toward the future.

YOUR RETIREMENT SAVINGS

from the employee and employer perspective



Joleen Kane
 Vice President of Special Products
ELLENBECKER INVESTMENT GROUP, INC.



Jean Range, CFP®
 Lifetime Planning Financial Advisor
ELLENBECKER INVESTMENT GROUP, INC.

Many employers offer savings tools such as 401(k), 403(b), and 457 plans to their employees to help them save for that magical vacation called...retirement. We have all seen how the volatile markets we have experienced over the past years resulted in fluctuating values. Having said that, you may have increased worries about your retirement savings accounts:

1. Am I saving enough for retirement?
2. Are my funds invested appropriately?
3. Am I exposed to too much risk?
4. Should I participate in the Roth 401(k)?
5. Am I taking full advantage of my employer's benefits?
6. Am I making informed investment decisions?
7. How do I minimize risk?

After all, for most individuals the largest pool of monies saved for retirement is in an employer provided plan such as a 401(k), 403(b) or 457.

As an employer, you may be concerned how the market volatility affects your plan as well as the fiduciary responsibilities to your employees.

Take a moment to review the chart below. If you feel that you would like to discuss these topics in greater detail, please contact our office and ask for Joleen or Jean.

Individuals	Companies
Retirement Readiness: <ol style="list-style-type: none"> 1. Maximize Contributions 2. Invest More Wisely 3. Review and Revise Goal 4. Monitor Investments 5. Rebalance 	Plan Design: <ol style="list-style-type: none"> 1. Attract/Retain Employees 2. Minimize Compliance Risk 3. Maximize Participation in Plan 4. Control Cost – Examine Fees 5. Auto Enroll/Increase Contributions Feature 6. Employer Match 7. Roth Feature
When I Withdraw from My Account, What Will Be my Tax Liability?	Investment Policy Statement: <ol style="list-style-type: none"> 1. Provide Appropriate Investment Choices 2. Evaluate Investment Choices — Compare investments Against Peers and Benchmarks 3. Minimize Fiduciary Risk
Do I Understand the Risk in My Portfolio?	Manage Administrative Responsibilities: <ol style="list-style-type: none"> 1. Team up with a Dedicated Service/Support Provider 2. Online Administration Tools
Am I Taking Full Advantage of my Employer's Benefits and Contributions?	ERISA and Fiduciary Responsibilities: <ol style="list-style-type: none"> 1. Understand your Fiduciary and Record Keeping Responsibilities 2. Communicate with Participants 3. Satisfy Reporting/Disclosure Requirements
	Employee Education: <ol style="list-style-type: none"> 1. Create a Forum to Emphasize the Value of Corporate Benefits. 2. Develop Large/Small Employee Workshops to help employees make informed investment decisions. 3. Encourage Smarter Investment Selections
	On-Line Tools

EIG'S NEW WOMEN'S GROUP: *Are you interested in joining EIG's new women's group? Our start-up meeting was in June and we already have a lot of great ideas and enthusiasm. If you would like to be part of the fun, call our office or email dawn@ellenbecker.com. Invite a friend—it's open to all women!*

BUSINESS ENTITIES

for a recovering economy



Donald J. Murn, Esq.
MURN & MARTIN, S.C.
murnlaw.com

Small business owners oftentimes are perplexed about how to operate their business. Often a business starts out as a very simple endeavor, maybe out of a garage or as a sole proprietorship, and as it grows, adds employees and has risks that need coverage through insurance, the simple steps that need to be taken in order to formulate entities to protect important assets and operations are sometimes overlooked.

There are basically three ways to operate your business. You can be a **sole proprietorship**. A sole proprietorship is nothing more than operating your business with your own social security number. For a start-up business this is often a default position, particularly when there are no employees. A lot of start-up internet companies are without employees and are sole proprietorships. As long as your business operation is simple and not the major source of your support this is not the worst way to operate. However if your business liabilities in regard to the product or services you are producing are not extraordinarily limited, you must look at an entity that protects your personal assets as your business grows.

The problem with a sole proprietorship is that it does not allow any protections or asset management, since you are operating essentially as your own person. Also if you begin to hire employees or develop a more complex way of operating, a sole proprietorship does not lend itself to a strong operational base and has a tendency to lend itself to a more casual operating style. Although this kind of culture may be good, particularly in an internet business, sometimes as a business grows it can become counterproductive.

Another form of operating is a **limited liability company**. A limited liability company has been discussed by me, both in articles in this newsletter and also on Karen Ellenbecker's "Money Sense" radio program, as a way to hold real estate, but it can also be used to operate a business. The benefit of a limited liability company is that it is a good vehicle for pass-through income. In other words, a limited liability company can operate more formally and is also a separate legal entity thereby protecting its owner from personal liability. By doing a "check the box" limited liability company, you can actually use your own employer identification number (your Social Security number) for purposes of filing your income tax return. This allows you to have a less complicated tax return but still have the benefit of the liability limitations for a limited liability company.

Limited liability companies are great vehicles where there are fewer employees, a large amount of cash flow and a strong desire to maintain an informal operational base. Always check with your accountant before picking an entity within which to operate your business to make sure your tax benefits are maximized. The purpose of this article is not to deal with tax issues, but operational issues and insuring that liabilities of your business do not attach to your personal assets.

The third form, a popular form of operating, is a **corporation**. You can be a formal corporation that has annual minutes, meetings and a board of directors. If you have multiple shareholders, particularly shareholders who do not regularly participate in the operation of the business, this type of format is the best. The formality that it creates and requires in operating the business means that there has to be an appointed board of directors, there have to be annual minutes and meetings, and reports to non-participating shareholders. This insures that there can be no lawsuits by shareholders against the officers of the business, as the formalities require that rules and protocols be followed that lend themselves to full disclosure of business operations. You can also operate a corporation as what is known as a **statutory close corporation**. I have also opined in regard to this and it is my favorite way of operating for small family-run businesses. A statutory close corporation allows you all of the benefits of a corporation without the formalities. You can operate without a board of directors, without annual minutes or meetings, and in fact the statute specifically says that personal liability cannot go to the shareholders by the mere fact that they do not follow corporate formalities.

After the economic downturn we have been through, the benefit of separating out an operating business from your personal assets has been clearly demonstrated to any of you who struggled with refinancing with banks or wanting to walk away because of difficulties on the path to revive a business that has been successful and ongoing for years. Operating with the right corporate entity out of the gate gives you options down the road that do not exist if you just operate your business as a sole proprietorship.

OFF TO SCHOOL

for students and their families

If you are a college student or have a family member heading off to college this fall, you are probably already busy getting ready. Here are a few tips and websites to explore that you may find helpful. Good luck, and may your college adventures be happy as well as educational!

Your college or university will surely offer new student orientation, and one of the subjects they should address is safety. Many schools offer programs to make campus life safer for their students. Take time now to find out where to go and whom to contact for emergency assistance and your health and safety concerns. Go to your school's website and find their safety section. For example, UW Milwaukee's site is www4.uwm.edu; go to current student/student services/campus safety and you'll see they offer informative postings on neighborhood safety, the university police department, their Be On the Safe Side program and more.

For reports on **campus safety** for UW colleges go to the student services tab at uwc.edu and click on "safety" in sidebar. Also take time to look at the "**Student Rights and Regulations**" booklet. Among other things, it contains an informative section on alcohol and other drugs and their effects and penalties, as well as a list of **safety and health resources for campus communities**.

Check your school's policy on releasing your information to your family; it may be you need to complete paperwork in order for them to be notified in case of medical emergency. And before leaving home, find out where you need to go for medical care—what's provided on-campus, and when does your family coverage apply? Make sure you take what you need in the way of health insurance id cards, etc. Once you're over 18, it's also a good idea to think about whether you need to arrange power of attorney for medical or legal decision-making in the case you are incapacitated. We would be happy to explain these to you and your family if you have questions.

Here are some basic pointers offered by an area campus safety department to protect your person and personal property:

- Be alert and aware of your surroundings as you walk around campus and elsewhere.
- Texting while walking? Do it with your head

up, not down; pay attention to what's going on around you.

- Avoid headphones so you can hear your environment.
- Travel in groups.
- Lock up your valuables. Lock your dorm room door, and keep your computer secure inside. If you have a bicycle, a Kryptonite U-lock is more secure than a cable.

Go to uwc.edu for information regarding all aspects of the UW college system, including links to each school. Universityparent.com is another site to learn about admissions, saving for college, financial aid, grades, scholarships, tuition, safety and more, with links to guides for many specific universities.

You may have a computer and a mini-fridge — but do you have a shredder? Use it to destroy old checks when you change addresses—a common occurrence with college students and young professionals—as well as other no-longer-needed documents containing confidential information. Go eco-friendly paperless when possible. See the **identity theft** article in this newsletter for more information about how to protect yourself.

If you haven't looked at prices for textbooks lately, you may be in for sticker shock. You can find relative bargains on used textbooks at your college bookstore and on sites such as textbooks.com, ohus.cheapbooks.com, amazon.com and barnesandnoble.com. Check to be sure used textbooks are allowed for each class and that you are purchasing the correct edition. You may even be able to use ebooks for some classes.

Geared toward those earlier in their planning process is uwhelp.wisconsin.edu, a site where "future students, parents, and school counselors can explore the campuses that interest them most, talk with campus tour guides, and really get a feel for what UW life is like." And you can find explanations of various savings plans at savingforcollege.com as well as information on financial aid, scholarships, loans, etc. Consult your advisor for advice specific to your situation. Of course, check with your potential school (even specific departments) and any organizations you may be affiliated with about what scholarships might be available.

We believe in the importance of regular review with our clients. Contact us if you have questions about college planning or other aspects of your family's financial and estate planning needs.

ECONOMIC outlook

Investor risk appetite was tested by the March 11 East Japan earthquake and tsunami. At the same time, early signs of potential slowing U.S. economic growth have surfaced. The negative economic effect of the Japanese disaster will likely prove temporary, and the rebuilding efforts may provide a boost to future Japanese and global output. But continuing high oil prices are a risk to both near- and long-term global economic growth. While we think the primary driver of oil prices is global economic growth, the current turmoil in the Middle East and North Africa has added a risk premium that is elevating oil prices. We don't see a clear path to eliminating this premium over the near term, as political progress in the region is slow.

The European Central Bank (ECB) has recently joined many emerging-market central banks in raising interest rates in response to rising inflation concerns. We don't see the Fed raising rates until the first quarter of 2012 at the earliest. Although QE2 is technically ending, the Fed will start reinvesting portfolio proceeds to keep its balance sheet from contracting and tightening monetary conditions. In the face of potential fiscal drag from spending cuts, and a growth headwind from high oil prices, this will mitigate another drag to growth. Our current view is that a slowing in economic growth in the U.S. will not lead to another recession, and in that environment we can experience positive returns from both stock and bond markets.

Despite the slowdown in economic growth, Q1 was the best yet in terms of job creation with close to 500,000 new positions. Moreover, a number of indicators support a return to a more solid pace of expansion in the months ahead – in particular, credit quality continues to improve and credit growth to consumers and businesses has accelerated, suggesting that the slowdown in activity in Q1 is a temporary blip. While government spending is likely to continue to be a drag over the next year, economic momentum is in the hands of the private sector, which will continue to drive the recovery forward.

The elevated cost of energy is one of the major headwinds facing the economy. Oil prices have already risen more than 25% since December. Even if prices remain at current levels, higher energy prices will subtract about 0.5% from growth in 2011 – definitely not enough to push the economy back into recession – but certainly denting the pace of economic recovery. Looking forward, we expect GDP growth to improve to around 3.0% in the second quarter and to 3.5% in the second half of the year – conditional on stabilization in oil prices.

S&P's recent outlook downgrade of U.S. credit rating to 'negative' did not reflect weakness in the economy. Instead, the announcement served as a reprimand against politicians' inability to compromise. Deficit reduction is increasingly dominating the political debate in Washington. Recently, House Republicans and the Obama administration released their respective plans to fix the nation's long-term budgetary woes. Unfortunately, neither party has come up with a solution amenable to policymakers across the aisle. Democrats are reluctant to cut spending where it matters--the nation's entitlement programs that need the most fixing-- while Republicans are loathe to raise taxes. Any long-term solution requires a serious look at both options.

It is important to remember that these spending issues are long-term problems: the U.S. is still investors' favored and most trusted sovereign despite all the headlines. The U.S. Treasury market is one of the most liquid in the world and U.S. bonds are the safe haven of last resort and might continue to hold this financial position for the foreseeable future.

THE SCIENCE of satiety



Karina Stuke, Personal Trainer
WISCONSIN ATHLETIC CLUB



It's time to unlock the third key to Culinary Medicine (the art of cooking blended with the science of medicine). First we learned how to absorb more of the goodness that our food has to offer. In the last issue we discussed strategies to avoid anti-nutrients. Now we are moving on to satiety. Satiety is a fancy word for a simple concept: feeling satisfied and full after a meal and staying satisfied until your next meal without snacking, munching, or mindless eating.

You might be wondering why satiety is important. Are you looking to maintain or lose weight? Do you have interest in regulating your blood sugar and preventing disease? Does hormone regulation and the healthy management of body function sound good to you? If this is the case, then the concept of satiety is something you most certainly should explore.

Most people feel hungry when they are on a diet when the goal is to lose weight. One week into it, and all they can think about is food. It consumes them! This obsession is dangerous to your health and sabotaging to your weight loss goals. Not only that, you will fail if you attempt to use willpower to fight your way to your goal. Give your willpower a break by making some changes to your eating plan so you can lose weight faster AND keep it off. Move-over 100-Calorie Snack Packs... here comes 1/3 of an avocado!

Eat fat! Yes, you heard me right. If you want to burn fat, you have to eat fat. It is not fat that you should fear - it's sugar. This notion that we get fat

while eating fat is fundamentally wrong. Fat-free products have created an obesity epidemic in this country, resulting in the rise of diabetes and autoimmune disease. I mentioned in the last issue that you should run from trans fat like the plague, but healthy fats trigger the release of a hormone called cholecystokinin (CCK) that helps you feel fuller longer. To achieve this, dive into some wild salmon, mackerel, herring, sardines, rainbow trout, anchovies, walnuts, almonds, flax, avocado, olives, olive oil, hazelnuts and macadamia nuts.

This might seem a bit radical for some of you, and that's okay. Food manufacturers have spent billions of marketing dollars on convincing us that a fat-free yogurt with artificial ingredients and 34 grams of sugar trumps a handful of walnuts as an optimal snack. Meanwhile, America as a whole is getting sicker and obesity rates are on the rise. I encourage you to consider choosing foods that induce satiety, so that you can burn fat and keep your blood sugar stable. Try it for yourself sometime: eat 1/3 of an avocado (95 calories) as a snack one day, and the next day try 100 calories worth of pretzels. See which one keeps you fuller longer.

Eat protein You can achieve satiety by eating more protein. There are three reasons why:

1. The movement of food from the stomach to the small intestine is slower
2. There is a slower effect on blood sugar eliminating the rapid rise and fall and the subsequent hunger that follows
3. Protein requires the most energy to digest

Eat fiber-rich foods Only plant foods have fiber, and most of these foods are also low in calories. These foods help lower insulin levels and provide slow and steady digestion. The best fiber-rich foods include fruits (especially berries) and vegetables (with the skin on), beans, whole grains (millet, spelt, quinoa, long-grain brown rice), and beans.

Volumize Water adds weight and volume to food, but does not increase the calorie count. Choosing fruits, vegetables, and broth-based soups will have you eating fewer calories and losing weight in the process. At the same time, save your waistline from expansion by avoiding water-parched foods such as crackers, pretzels, chips, and cookies.

And there you have it — the three keys to Culinary Medicine. Now you can experience improvements in your health by absorbing more nutrients, avoiding anti-nutrients, and feeling full for a longer period of time. Put these in to practice in your daily eating habits and you can be on your way to a slimmer, more energetic, healthier, younger you!

IDENTITY THEFT: the fastest growing crime in the US



Thomas E. Fischer
Owner/Lead Investigator
THOMAS FISCHER INVESTIGATIONS-LLC
www.thomasfischerinvestigations.com

What is identity theft? It occurs when a victim's personal identifying information is obtained for fraudulent use by someone who represents himself as the victim or as acting with the victim's authority or consent. Personal identifying information means any data unique to or belonging to an individual that can be used to access services, funds or benefits. It can include name, address, telephone number, driver's license number, Social Security number (SSN), employment information, maiden names, account numbers, taxpayer identification number, even a DNA profile or biometric data such as fingerprint, voiceprint, etc.

How do thieves steal identity? Identity thieves use a variety of methods to get possession of information including searching through trash, "skimming" with an electronic storage device, "phishing" using fraudulent emails, changing your address to have statements diverted to them, stealing wallets and mail, and "pretexting," using false pretenses to obtain your information from banks, utilities and others.

What do thieves do with your stolen identity? Identity thieves use it in a variety of ways— committing fraud using or obtaining credit cards, phones, utilities, bank accounts and financial services, and government documents. Thieves may get a job using your SSN, rent a house, or get medical services using your

name. They may give your personal information to police during an arrest and then if they don't show up for their court date, a warrant for arrest is issued in your name.

Are You At Risk?

Test Your Identity Theft Awareness:

- You receive offers of pre-approved credit every week. (5 points; 5 more if you don't shred them)
- You carry your Social Security card with you. (5 points)
- You do not have a P.O. Box or locked secure mailbox. (5 points)
- You use an unlocked mailbox at work or home for outgoing mail. (10 points)
- You carry your military ID with you. (10 points)
- You do not shred financial information when you throw it in the trash. (10 points)
- You provide your SSN without asking how it will be used or safeguarded. (10 points; 5 more if you give it out loud without checking to see who may be listening.)
- You are required to use your SSN as ID at work or school. (5 points)
- You wear an employee badge with your SSN on it. (10 points)
- You have your SSN or driver's license number printed on your checks. (20 points)
- You are listed in a "Who's Who" guide. (5 points)
- You carry your insurance card with you and your SSN is on it. (20 points)
- You have not ordered a copy of your credit report for at least two years. (10 points)
- You don't believe that people would go through your trash looking for financial information. (10 points)

How You Rate:

100 points = High Risk! Make changes.
50-100 points = Average; higher if you have good credit.
0-50 points = Congratulations, you have a "High IQ." Keep up the good work and don't let your guard down.

To Protect Yourself, Manage Personal Information Wisely:

- Determine how your information will be used before providing it.
- Pay attention to billing cycles.
- Guard mail from theft.
- Put passwords on credit cards. Avoid using mother's maiden name, DOB, last 4 digits of SSN, or consecutive numbers.
- Minimize the number of credit cards and ID you carry.
- Don't give out personal information on telephone, mail, or internet unless you initiated contact or are sure with whom you are communicating.
- Keep personal information in a safe place.

- Shred discarded personal records and documents.
- Verify that your employment records are kept in a secure location.
- Order copies of your credit report yearly from each of the three credit reporting companies at annualcreditreport.com.
- To opt-out of receiving pre-approved credit card offers, call **1-888-567-8688** or go to optoutprescreen.com.

What to Do If You Become a Victim:

- Contact the fraud department of each of the three credit reporting companies: Experian, 888-397-3742; Equifax, 800-525-6285; and Trans Union, 800-680-7289
- Obtain a free copy of your credit reports and review them.
- Place fraud alert and a victim statement asking for creditors to contact you.
- Contact your local law enforcement to report crime.
- Contact creditors for any fraudulent accounts opened or tampered.
- Report crime to Postal Inspector if mail is involved (postalinspectors.uspis.gov).
- Document and keep records of all correspondence.

What if your credit card is used to make unauthorized purchases? Contact the company that issued the card and file an affidavit with them for each transaction you did not authorize. They will conduct an investigation and respond in writing, advising whether your account will be credited for the loss. If the company refunds your money they will become the victim of the crime. If they refuse to reimburse you, then you will become the victim of the crime and should report it to your local law enforcement agency.

What if your checks have been stolen?

If your checks are stolen, report a theft of check complaint to your local police. If you have been informed by your bank that someone has been forging or cashing your checks, contact the bank and follow their instructions. They will conduct an investigation and inform you who will be responsible for the financial loss. If the bank is, they will be the victim of forgery and you will become a non-consent witness. If they indicate in writing that you are responsible, file a forgery complaint with your police department.

Go to the **Federal Trade Commission Consumer Response Center website, ftc.gov**, for more information and help regarding identity theft, including an informative quiz. Or call **1-877-438-4338** to register identity theft complaints and more.

THE FAMILY *cabin*



Phil Remmers, Attorney-at-Law
CRAMER, MULTHAUF & HAMMES, LLP
(262) 542-4278 www.cmhlaw.com

The Family Cabin is unique piece of property. The purpose is not to provide shelter or rental income.

The Family Cabin provides a location for a family to relax, to spend time together and build memories. There is a long tradition of Family Cabins in Wisconsin because of our beautiful and abundant land up north and our strong family values.

The operation of the Family Cabin is ideal when it is owned only by the parents and they pay all of the expenses, set the use schedule and enforce the rules. The Family Cabin can become more problematic after the death of the parents. Some of the issues that may arise are:

- Will all the children own the Family Cabin or just one or two?
- If all of the children will not own the cabin then are the non-owning children compensated for the loss of ownership, and if so, how?
- How are the decisions on major repairs and improvements made? What if not all children want to make an improvement (i.e. add a deck)?
- How is money contributed to pay for real estate taxes, insurance, repairs and improvements?
- When do the children get to use the Family Cabin and for how long?
- Can a child sell or transfer his or her ownership during life, at death, and to whom?

When parents do not plan for the use of the Family Cabin after their deaths there often times arise serious issues between the children. This is both ironic and unfortunate in that the Family Cabin brought both happiness and togetherness during the parents' life but can become just the opposite upon the parents' death.

Family Cabin issues can often be eliminated by proper planning. The determination of the parents' goals with respect to the Family Cabin is the starting point for planning. Often the parents have a clear vision on what should occur with the Family Cabin after their death and they do not seek input from the children. Other times Parents encourage input from the children and have open and lengthy discussions with all the children regarding the Family Cabin.

When parental planning is implemented it usually takes the form of a Limited Liability Company ("LLC") or a Trust. An LLC is really just a family partnership with each family member having a designated ownership in the LLC which owns the Family Cabin. A partnership agreement is written which defines the use, operation, disposition and expense contribution of the owners.

An LLC is utilized instead of a partnership because it will provide liability protection for the owners in the event of an accident occurring at the Family Cabin. An LLC can be established and finalized during the parents' lifetime or its establishment can be provided for in the parents' estate planning documents. An LLC is often utilized by parents when they want all the kids to have input into the operation of the LLC and wish for a free-flowing exchange of ideas and decision making.

A Trust is often utilized by parents when the parents want the Family Cabin to be operated in a precise manner. The parents designate the rules of operating the Family Cabin and the Trustee implements and oversees those rules.

Some popular planning options are the following:

Maintain Family Cabin for Designated Period

Parents often want the Cabin to automatically remain in the family for a designated period (say 20 or 30 years). These parents may place the Family Cabin in a Trust with one or all children having a vote on the operation of the Family Cabin, but without the right to sell the cabin without unanimous consent during the designated period. These parents will often distribute a substantial sum of money into the Trust to pay for all the Family Cabin expenses during the designated period. This way no children have the burden to fund the Family Cabin. Each child can then choose whether or not to utilize the Family Cabin without it being a financial decision.

Maintain Family Cabin in LLC

A Family LLC allows parents to give children more flexibility with respect to the use and operation of the Family Cabin. Initially, each child might receive an equal ownership after the parents' death. Each child may then have the right to sell his or her interest immediately or after a period of years. The LLC documents would specify to whom the ownership interest could be sold, the determination of the purchase price and the terms of sale. Some of the issues to address are the following:

- A sale may be limited to only family members or could be broadened to other people if the family members will not agree to a purchase. The option to purchase could be voluntary or mandatory by the remaining children.
- The purchase price might be fair market value or a discounted value.
- The purchase could provide payments over several years to make the purchase easier for the purchasing family members.
- If the children cannot agree on use then the use might shift to a weekly use schedule with each family choosing the weeks each year on a rotating basis.
- Expenses could be shared equally by all owners or based on the amount of use of the Family Cabin.

The Family Cabin in a great tradition in Wisconsin. A proper amount of discussion and planning before death will allow those traditions and memories to continue for a long time to come.



N35 W23877 Highfield Court, Suite 200
Pewaukee, WI 53072
(262) 691-3200 • (888) 642-7526
www.ellenbecker.com

Join us for monthly client teleconferences!

An email announcement with details is sent prior to each teleconference:

- Thursday, July 21, 1:00 p.m.
- Thursday, August 18, 1:00 p.m.
- Thursday, September 22, 1:00 p.m.

Have you been in to see us this year to go over your portfolio? Ongoing review of your asset allocation is key to successful financial planning. Please call or email our office and we will be happy to set up an appointment.

Did you know you can listen to “Money Sense” online while it airs?
Go to www.newstalk1130.com and click on “listen online.”



**Don't forget to listen to
“MONEY SENSE”
on WISN AM 1130**

— since 1991 —
Saturdays 2-3 pm
Sundays 12-1 pm

Hosted by Karen J. Ellenbecker

Share this newsletter and your experience with friends and family. Don't keep us a secret. We always appreciate referrals.

Securities and advisory services offered through SII Investments, Inc. Member FINRA/SIPC and a Registered Investment Advisor. Ellenbecker Investment Group, Inc. and SII Investments, Inc. are separate companies. SII does not provide tax or legal advice; please consult your tax or legal advisor regarding your particular situation. The views expressed by our guest authors are their own and not necessarily those of the representatives of Ellenbecker Investment Group. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.