CARLSON BURNETT

ESTATE PLANNING SOLUTIONS FOR FARMERS

DARREN R. CARLSON was raised on a farm in Greene County, Iowa. He graduated from high school in 1981. Since that time, Darren has remained active in the management of the family farm. He received his B.S. in Agricultural Business from Iowa State University in 1985. While at ISU, he served as the President of the National Agricultural Marketing Association ("NAMA"). As a member of the 1984 Asian Study Tour through ISU, he studied production agriculture in China, Japan, Korea and Taiwan.

Darren attended Creighton University Law School where he received his J.D. *Magna Cum Laude* in 1988. While attending law school, he served as a member of the Editorial Staff of the Creighton Law Review from 1986-88 when he authored "Bankruptcy: Restrictions of Abandonment of Burdensome Property." Through the farm crisis in 1985 and 1986, Darren co-authored two agricultural articles: "Section 552: Limitation of Security Interest in Bankruptcy Cases," and "Nature Treatment and Classification of Security Interests in Government Payment Programs." He has been a frequent presenter at seminars covering a broad range of estate planning, business and real estate topics. Darren is a member of both the Iowa and Nebraska Bar Associations. His practice focuses on estate planning, real estate planning and business transactions.

Darren has always been very active in his community. He has served on many civic and charitable boards. Darren is a member of the Tangier Shrine, the Miracle Hills Optimist Club, Omaha Agricultural Business Club and St. Luke United Methodist Church. Darren recently completed his second term as President of the Millard Public Schools Foundation. Darren is currently on the Board of Directors and Executive Committee for the Omaha Home for Boys.

Many people recognize Darren's unmistakable look sporting a black eye patch following his cancer battle and eleven surgeries in 2007. The story of his cancer battle was the feature story — *Humor is his lifeline — Sunday World-Herald, January 27, 2008.* Darren has been the keynote speaker in Iowa and Nebraska at "Cancer Survivor's Day" and "Relay For Life" events. Darren was also recently featured on the cover of ONE Magazine (July, 2010). These stories can be accessed from the firm's website at **www.carlsonburnett.com.**

Darren Carlson and Anne Burnett founded the Omaha law firm of Carlson & Burnett, LLP to bring together a group of attorneys that are uniquely positioned to focus on Estate Planning for farmers.

ANNE K. BURNETT developed her estate planning skills while at Creighton University School of Law as she demonstrated by receiving the CALI Award and American Jurisprudence Award for the top estate planning student in her class. Since graduating in 1997, she has spent the past thirteen years assisting and educating her clients on estate planning, business and real estate matters. She has been a frequent presenter to various business and professional groups within her areas of practice. Her laid back demeanor not only makes Anne comfortable to visit with, but easy to understand.

MICHELLE B. MILLER-McCOY has focused on estate planning throughout the thirteen years of her practice. She enjoys meeting people, learning about their lives, and helping accomplish their goals. Her undergraduate foundation in English has helped her build a reputation for drafting concise and effective documents. Michelle has been a frequent presenter at estate planning conferences.

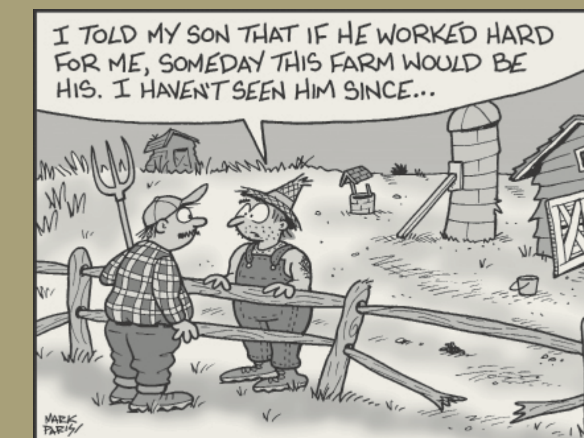
MARY "PEG" STEVENS brings an essential element to Carlson & Burnett – an experienced trial attorney. Peg spent the first ten years of her practice as a Deputy County Attorney where she gained invaluable trial experience handling a variety of juvenile and criminal cases. Peg handles the litigation matters for the firm that range from divorce, paternity, guardianship, juvenile issues, and criminal matters.

JEFFREY B. SMITH brings experience with personal injury and workers' compensation to the Firm's practice. Having worked briefly as in-house legal counsel with a national company, Jeff greatly values his work advocating for injured and disabled clients. Now that he is back in private practice, Jeff works with clients to help them solve their problems.

ANDREW M. FERGUSON brings extensive experience to family law and civil litigation experience to the firm. He uses his passion for trial advocacy in representing clients in divorce, modification and child custody. Andy spent the first six years of practice in Blair, Nebraska. There, he handled a wide-range of cases as a sole practitioner. His current focus is advocacy for clients when the most important aspects of their lives, their families, are on the line.

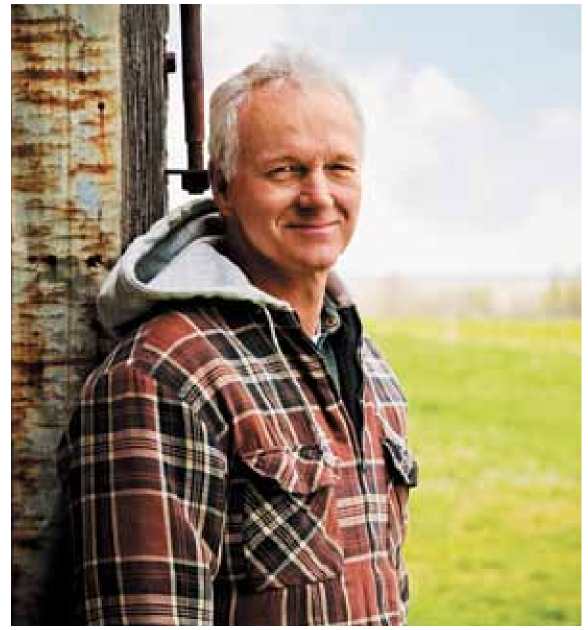
Estate Planning Practice

At Carlson & Burnett, our Estate Planning Practice emphasizes the use of the Revocable Living Trust to eliminate probate costs while minimizing federal estate taxes. With more than forty years of experience in setting up estate plans for our clients, we have seen firsthand how the Revocable Living Trust can save costs, taxes and time in the administration of estates. For estate planning to be effective, it requires the lawyers to maintain a degree of "common sense" to balance the complexities against the client's desire to keep the estate plan understandable and manageable. We represent a broad spectrum of farmers. We represent young couples with small children and modest estates. In contrast, we also represent large farming operations that own and farm a substantial number of acres. After collectively more than fifty years of practice among our partners, the true measure of our success at Carlson & Burnett, LLP is the consistency with which our clients refer their families and friends to have their estate plans prepared by us.



Estate Taxes 2011-2013

Congress passed and President Obama signed a new Federal Estate Tax Law on December 17, 2010. The new Estate Tax law, which applies for 2011 & 2012, gives taxpayers a two year reprieve by increasing the amount of the Estate Tax exemption (i.e. deduction) to $5.0 million dollars. However, this two year reduction in taxes is short-lived. Congress included a "sunset" provision in the new law so that the exemption amount would be reset on January 1, 2013 to $1.0 million dollars with a significantly increased maximum estate tax rate of 55%. With an election looming on the horizon in 2012, few try to predict whether Congress and the President will change the estate tax rates and exemption prior to the elections of 2012. So, we need to be prepared for the $1.0 million dollar exemption and 55% estate tax rate that is currently enacted and set to take effect on January 1, 2013.



Overview of Estate Planning Solutions For Farmers

This Publication is designed to give the farmer and agribusiness owner an overview of different estate planning options and documentation that are routinely used by Carlson & Burnett to design an estate plan for our clients. We must caution that every estate plan is unique and has its own subtle distinctions. Our duty and responsibility is to work with you, the client, to develop the best estate plan for your individual situation to meet your estate planning goals.

Although we have significant experience with income tax matters, farm management and investment options, we believe that in most situations, a team approach is the best solution for our clients.

If you are not currently working with a financial planner with whom you are comfortable and confident – we will recommend one. If you are not currently working with an accountant with whom you are comfortable and confident – we will likewise recommend one. In short, we have learned that for estate planning to be successful, each piece of the puzzle must fit together. Although the income tax matters are better left to a certified public accountant and the investment matters are better left to the financial planner, these pieces of the puzzle should be coordinated with the Estate Planning Attorney.

We have a good working relationship with several bank trust departments and refer our clients to them as the need arises. However, most of our clients are fully capable of serving as their own trustee. Many of our clients also have at least one responsible and trustworthy child or relative who can serve as the executor or successor trustee. In the situations where a corporate trustee is not only appropriate, but essential, we will refer you to a bank trust department that has earned our trust and confidence through a relationship with our firm.

Because managing the farm has become such a complicated and capital intensive business over the years, we have established a good working relationship with several professional farm management companies. In those situations where a retired farmer, the surviving spouse of a deceased farmer or the heirs of a farmer do not want to handle the day to day management of the farm, we are pleased to recommend a professional farm manager.

Our training, experience and reputation are what we bring to the table to make certain that our clients' estate plans are designed and implemented with their best interests in mind. We will always do everything possible to merit the trust and confidence that our clients have placed in us.

Durable Power of Attorney

An essential element of a good estate plan encompasses lifetime planning in the event that you become disabled or incapacitated.

The "Durable Power of Attorney" is a legal document where you set forth in writing who you want to handle your legal and financial affairs. The key element is that during any period of time that you are not able to handle your financial and business affairs, you are designating who can handle these matters on your behalf. If you do not have a Durable Power of Attorney, a judge in a court proceeding (a "conservatorship") will determine who is most appropriate to handle your financial affairs. Quite often, the court may not appoint who you truly desire to make these decisions on your behalf.

The Durable Power of Attorney gives your named "agent" or "attorney-in-fact" the power to undertake the following on your behalf: handle your investments, manage your business, manage your assets, pay your bills, sign tax returns and sign legal documents.

Durable Powers of Attorney may take effect immediately upon signing or may take effect only upon your disability or incapacity. Disability or incapacity can take on many forms such as dementia or Alzheimers or may result from events such as accident or stroke. Note that disability or incapacity can be caused by either mental incapacity or physical incapacity. A Durable Power of Attorney cannot be used after death, rather, it is limited to use during your lifetime.

Why would anyone give such sweeping authority to another person? There are a number of reasons why the Durable Powers of Attorney are essential to every estate plan. One important reason to have a Durable Power of Attorney is control. By executing a Durable Power of Attorney, you have control of "who" handles your financial affairs and "what" they can do with your assets. Alternatively, if you do not have a Durable Power of Attorney and become unable to manage your affairs, it may become necessary for a court to appoint someone to act for you in a conservatorship proceeding. With a Durable Power of Attorney, you can usually avoid the time and expense of court intervention.

Most typically, a husband and wife will name each other as their initial agent and one or more of their adult children as an alternate or fall back agent. The best choice is to name someone that you trust to oversee your business and financial decisions.

Medical Power of Attorney and Living Will

The lifetime planning in the event you become disabled or incapacitated necessitates that every estate plan includes a Medical Power of Attorney and a Living Will. Unfortunately, we may find ourselves in a position where medical decisions need to be made when we can no longer express our preferences.

The Living Will permits you to express your wishes as to medical treatment in the event of a terminal illness. The Living Will does not appoint anyone to act for you. Rather, the Living Will is your written expression of how you want to be treated in severe medical conditions when you are terminally ill. A Living Will applies in situations where the decision to use such treatments may prolong your life for a limited period of time. It does not mean that medical professionals would deny you medications and other treatments that would relieve pain or otherwise make you more comfortable.

With a Medical Power of Attorney, you appoint an "agent" to act for you and make your medical decisions in the event that you cannot.

The purpose of both the Living Will and the Medical Power of Attorney is to allow you to express your preferences concerning your medical treatment. By expressing such preferences in a written legal document, you are ensuring that your preferences are known. Further, by designating who will make your health care decisions, your physician knows who is in charge of medical decisions.

"With collectively more than forty years of setting up Revocable Living Trusts for our clients, our clients and their families have experienced firsthand the benefits of establishing a Revocable Living Trust"

Will vs. Revocable Living Trust

Today more than ever, the Revocable Living Trust is chosen over the common "Will" as the primary estate planning document for the distribution of assets to the heirs.

A Will is a written document that provides direction to the probate court on how a person's assets are to be distributed upon his or her death. The Will is only used to transfer assets from the deceased person after the Will is filed with the probate court and the probate process is complete. Probate involves a series of court filings to rule on the validity of the Will and confirm that the assets are available for the payment of the debts and taxes. Following the payment of the debts, the probate court reviews the distributions to confirm that the assets are indeed distributed in accordance with the Will.

A Revocable Living Trust is also a written document that provides direction and instruction on how the decedent's assets are to be distributed upon his or her death. However, as the name implies, a Revocable Living Trust is set up and the assets transferred by the settlor/grantor during his or her life. The assets of the trust are held, administered and controlled by the "trustee." Typically, the individual who establishes a Revocable Living Trust names himself as the "trustee" of the trust. When a husband and wife establish a trust, they are almost always co-trustees to jointly administer the assets of the trust.

Why have so many estate plans been converted from the simple Will to the Revocable Living Trust? The main reason that Revocable Living Trusts have gained tremendous popularity as the preferred method to control distribution of assets is because the Revocable Living Trusts avoid probate. A common and erroneous belief is that Wills can be used without probate. To the contrary, a Will controls the distribution of assets only after going through the probate process. In contrast, the assets can be distributed from the Revocable Living Trust to the beneficiaries by the successor trustee almost immediately following the death of the individual or couple that established the Trust. This distribution of assets out of the Revocable Living Trust in accordance with the written directive of the Trust can be accomplished by the "successor trustee" without going through the probate process.

Why is avoiding probate beneficial? Because probate is a court procedure which necessarily requires attorneys, the cost of probate is considered expensive. In comparison, the cost of the probate can significantly exceed the cost of establishing a Revocable Living Trust which will pass the assets without the expense of probate. The second benefit in establishing a Revocable Living Trust estate plan is to avoid the time consuming constraints associated with probate. Although the time required to complete probate varies widely, generally probate takes between nine months and one year to complete. Difficult or contested probates can take much longer. One final advantage associated with establishing a Revocable Living Trust and thus avoiding probate is to maintain privacy. All filings with the probate court are public records open to anyone who would like to snoop. The Revocable Living Trust is not administered in the courts and thus helps to preserve the privacy of the decedent.

At Carlson & Burnett, we have come to the conclusion that an estate plan designed to avoid probate by the use of a Revocable Living Trust is usually beneficial to our clients and their families.

Irrevocable Life Insurance Trust

Many of our clients are surprised to learn that life insurance proceeds are generally includable in the estate of the insured for calculating the amount of the gross estate for Federal Estate Tax purposes. An "Irrevocable Life Insurance Trust" ("ILIT") is a trust created to own or hold a life insurance policy so that the proceeds of the life insurance policy are removed from the insured's estate.

Life insurance proceeds held in an ILIT will not be considered includible in the insured's estate and can be managed and distributed according to the wishes of the insured if the insured:

1. Has no ownership rights in the policy (i.e. ownership is transferred to the ILIT);
2. Insured is not a beneficiary of the policy (i.e. the beneficiary should be the ILIT);
3. Insured is not the trustee of the ILIT (i.e. typically the adult child or bank trust department is named as trustee).

The trust instrument and all transfers to the trust are irrevocable and cannot be changed. If the insured transfers an existing insurance policy into the ILIT, this will be considered a gift by the IRS, and if the insured dies within three years of making the transfer into the ILIT, the value of the life insurance proceeds will be considered includible in the insured's estate.

A "Crummey" power (as it is commonly referred to) written into an ILIT enables the grantor of the ILIT to continue making the annual premium payments and qualifying these premium payments as gifts to the children. As such, premium payments qualify for the annual gift tax exclusion (currently $13,000 per beneficiary). Thus, if the ultimate beneficiary of the ILIT is the children, you will receive a deduction for each of the children named as a beneficiary of the ILIT and thus, take advantage of the $13,000 per beneficiary exclusion per year.

Gifting to children is a common estate tax planning alternative to reduce the parent's estate. However, parents often would prefer to avoid directly handing over cash to the children. Therefore, the ILIT has the advantage of gifting to the children without handing cash directly to the children where they typically spend it on the new car or boat! Rather, the gift of the annual premium payments provides for a significant life insurance policy that distributes the policy death benefit unto the children totally free of federal estate tax.

Family Trust

Also Known as the Credit Shelter Trust

The "Family Trust" is a Revocable Living Trust with specific estate tax language built into the Trust Agreement. The Family Trust is also commonly called a "credit shelter trust" or an "A-B Trust." A married couple with assets in excess of the estate tax exemption (i.e. currently $5,000,000) can significantly reduce federal estate taxes by setting up a Family Trust.

Frequently, without estate planning, couples provide for the transfers of all their property to the surviving spouse on the death of the first spouse. There is no federal estate tax due on the death of the first spouse to die because of the unlimited marital deduction. However, the first spouse to pass away did not utilize any of their estate tax exemption. In effect, the first spouse to pass away lost a significant tax exemption. Simply put, if you don't use your exemption, you'll lose it!

An estate plan using a Revocable Living Trust with a Family Trust provision can minimize the federal estate tax on the death of the surviving spouse. This estate tax savings is accomplished by utilizing the first spouse's exemption by segregating into a "Family Trust" some of the property for the benefit of the surviving spouse and the children. Thus, the Family Trust assets that are segregated are sheltered from taxation at the death of the surviving spouse. In this way both spouses can fully utilize their estate tax exemption and the children receive up to $10,000,000 without incurring any federal estate tax liability. If both spouses use their exemption, neither spouse will lose it!

To accomplish the exclusion of Family Trust assets from the surviving spouse's estate, the surviving spouse must have minor limits put on his/her ability to receive benefits from the Family Trust. The permissible benefits that the surviving spouse can receive include distributions of all the income and distributions of principal for the surviving spouse's health, education, maintenance and support. Most clients consider the minor tax restrictions necessitated by the Family Trust tax language well worth the $2,500,000 of tax savings!

Charitable Remainder Trusts

Not Just For the Wealthy!

When we hear of a "Charitable Remainder Trust" we think of a trust used only by the super wealthy. However, the Charitable Remainder Trusts are used primarily as a vehicle to avoid both Income Taxes and Estate Taxes. The Charitable Remainder Trust is not just a tool for the wealthy.

The Charitable Remainder Trust is an irrevocable trust in which the individual or couple establishing the trust ("donors") retain an income interest in the trust for their lifetime. When both of the donors pass away, the income stream terminates and the remaining trust property passes to a qualified charity designated by the donors. Practically speaking, the charity will not receive the donated property for many years. Nevertheless, the donors receive an immediate deduction for the value of the contributed property.

There are two types of Charitable Remainder Trusts – the Charitable Remainder UniTrust ("CRUT") and the Charitable Remainder Annuity Trust ("CRAT"). Both types of Charitable Trusts pay the donors income during their lifetimes. The CRUT pays to the donors a fixed percentage of the annually revalued trust property. The CRAT pays to the donors a set dollar amount each year. Following the donors receipt of the income over their lifetimes, the remaining trust balance is distributed to a charity named by the donors in the trust document.

Because a qualified charity will ultimately receive what is left in the Charitable Trust, the donors receive an immediate income tax deduction when the Charitable Trust is established. As a further benefit, after the donors contribute assets to the charitable trust, the assets can be sold and reinvested without paying income tax on the sale of highly appreciated property like farmland. Thus, there are three tax incentives for establishing a Charitable Remainder Trust:

- An income tax charitable deduction
- Avoidance of capital gains tax on the sale of appreciated property, and
- Removal of the value of the property from the estates of the donors.

EXAMPLE: Assume donors have highly appreciated farmland that provides a fairly low income stream. The donors have retired from farming and desire to sell the farmland to reinvest the proceeds from the sale to increase their income. If the donors sold the farmland themselves, they would pay state and federal capital gains income tax on the capital gains generated from the sale. However, if the donors establish a Charitable Remainder Trust and transfer the farmland into the Charitable Trust prior to the sale, the Charitable Remainder Trust can sell the farmland and avoid all of the income taxes on the sale! In addition, the donors can significantly increase their income and obtain an immediate income tax deduction for establishing the Charitable Remainder Trust. Following the donors' lifetimes, the investments remaining in the Charitable Remainder Trust will be distributed to the donors' favorite charity.

Typically, a donor who utilizes the tax advantages of the Charitable Remainder Trust will also establish a so-called "wealth replacement trust." The purpose of the wealth replacement trust is to purchase and own a "2nd To Die" life insurance policy so that the donors' heirs will receive the proceeds of the life insurance to offset for the amount donated to the Charitable Remainder Trust. The higher income stream, the avoidance of capital gains and the income tax deductions typically offset the cost of the 2nd To Die life insurance policy. The life insurance proceeds will ultimately be paid to the donors' heirs free of income tax and estate tax. In effect, the life insurance replaces to the donor's heirs the value of the farmland transferred to the Charitable Remainder Trust so that the donors' heirs do not receive less inheritance.

While it is clear that the donation to charity is one component of the Charitable Remainder Trust, the increased income stream (i.e. higher annual payouts to donors), the income tax savings and the estate tax savings are usually the primary motivations driving the Charitable Remainder Trust.

The FLP is not for everyone. However, in the situations where the FLP is an appropriate fit, it can prove to be a very successful tool in the estate planning process.

The Family Limited Partnership

With a substantial increase in farm values and with many farming operations today involving more than one generation, the Family Limited Partnership ("FLP") has become an increasingly popular estate planning tool. As the name implies, a family limited partnership generally is restricted to members of the same family. This entity is created by filing certificate of limited partnership with the Secretary of State's office.

As an example, the structure of the FLP may provide for 100 units which are comprised of 2 general partnership units and 98 limited partnership units. The distinction between general and limited partnership units is significant. Only the general partners run the day to day business of the FLP. When the limited partnership is created, the parents who establish the FLP typically each own one general partnership unit and 49 limited partnership units. There are many variations in who owns the two general partnership shares. It may be that the father and a son each own one share of the general partnership units so that they can collectively make the management decisions. Keep in mind that the general partners have the sole management authority for the entire FLP and the limited partners are in effect – silent partners with very little say on the operation of the FLP.

Immediately following inception of the FLP, the parents will begin gifting limited partnership units to the children. The limited partnership units are gifted so as to effectively give to each child (and potentially the children's spouses) $13,000 worth of limited partnership units from mom and $13,000 worth of limited partnership units from dad each year. Thus, a married couple can gift to each of their married children $52,000 in value of limited partnership units each year. By restricting the gifts to the annual federal gift tax exclusion amount ($13,000/child/year), we have structured the transaction to avoid the need for filing a federal gift tax return to report the gifts.

Simultaneous with the creation of the FLP, a Deed will be signed and recorded to transfer the farmland into the name of the FLP. The FLP will be the farm operating entity into the future. Because the ownership of farmland is now owned by the FLP, the parents can indirectly transfer ownership of the farmland to the children at discounted values while maintaining complete control over the farmland because the parents have retained all the general partnership units.

There are a number of tax benefits and planning opportunities with a FLP. The major tax benefit for high net worth farmers is the reduction of values for federal estate tax purposes. Because the limited partners do not have management rights and because of the prohibitions and restrictions on the transfer of the limited partnership units outside of family members, the value of the limited partnership units is typically reduced by approximately thirty percent (30%). These discounts are referred to as a lack of control discount and a lack of marketability discount. By applying a simple 30% discount to all the farmland, equipment and inventory transferred into the FLP, a high net worth farmer can receive a huge estate tax savings from the FLP!

The other planning opportunities with the FLP may be equally as beneficial as the federal estate tax savings. For example, the value of the parents' estate can be reduced for estate tax purposes while shifting the income tax burden from a parent in a high income tax bracket to adult children in a lower income tax bracket. Another advantage of the FLP is that it protects assets from creditors of the partners by prohibiting or greatly restricting the limited partners units from being attacked by creditors or dissipated through potential divorce of children.

Special Use Valuation for Farmers

The amount of estate tax owed upon the death of a farmer may be reduced substantially by what is commonly referred to as "special use valuation for farmers." Congress, in an effort to preserve the family farm, enacted section 2032 of the Internal Revenue Code to provide tax relief for farmers.

In preparing the federal estate tax return, the entire value of the decedent's property is listed at its fair market value at the date of death. However, farmland generally has a fair market value greater than its income potential. Thus, for federal estate tax purposes, the value of the farm can be determined using a different method substantially below its fair market value. This lower special-use value decreases the reported value of property in the estate and can potentially save the farm family significant federal estate taxes.

For estate property to be valued using special-use valuation it must be **qualified real property**, left to a **qualified heir** to perform a **qualified use**. Each of these three independent requirements must be satisfied. Qualified property includes farm real estate and farm equipment used by the owner to operate the farming operation. Qualified Heir is a member of the decedent's family who actually inherits or purchases the farm from the decedent's estate. Members of the decedent's family that qualify are generally the spouse, children, grandchildren and nieces/nephews. Qualified use of the property includes the use of the farm and equipment for farming purposes.

Three additional requirements must also be satisfied on the date of the decedent's death. These additional requirements provide that **1**) the value of real or personal property that was being used as a farm or in a farming operation must be at least 50 percent of the adjusted value of the gross estate, **2**) at least 25 percent of the adjusted value of the gross estate must consist of the adjusted value of qualified farm or closely held business real estate (not personal property), and **3**) for at least five years out of the eight-year period ending on the date of the decedent's retirement, disability or death, the decedent or a member of the decedent's family must have owned the qualifying real property, used it for a qualified use and materially participated in the operation of the farm or closely held business.

When deciding to undertake the election for special use valuation, the qualified heir that ends up with the farm must agree to continue to use the farm for a qualified use for ten years after the decedent's death. If the qualified heir fails to maintain the qualified use for ten years, some of the estate tax savings obtained through special-use valuation will have to be repaid to Uncle Sam. Furthermore, the new tax basis that the qualified heir establishes in the farm is the special use value established, rather than the fair market value.

In the estate planning process, care should be taken to plan so as to qualify the estate to benefit from special use valuation. When you want to gift some of your assets prior to your death, consider gifting the non-qualifying property such as stocks, bonds and certificates of deposit. The planning should include, for example, structuring the farm leases to provide that material participation in the farming operation is maintained by the client. Maintaining material participation is critical if land is being leased to a non-family member. For leases to family members, the owner does not need to materially participate.

FEDERAL ESTATE TAX TABLE

YEAR	ESTATE TAX EXEMPTION	HIGHEST ESTATE TAX RATE
2011	$5.0 Million	35%
2012	$5.0 Million	35%
2013	$1.0 Million	55%

NEBRASKA INHERITANCE TAX TABLE

CLASS OF BENEFICIARY	EXEMPTION AMOUNT *(per beneficiary)*	INHERITANCE TAX RATE
CLASS 1: parent, child, grandchild, stepchildren, brother, sister	$40,000	1% on all inheritance above exemption amount
CLASS 2: uncle, aunt, niece, nephew, first cousin	$15,000	13% on all inheritance above exemption amount
CLASS 3: second cousins, all non-relatives	$10,000	18% on all inheritance above exemption amount
Charities	Unlimited	None

IOWA INHERITANCE TAX TABLE

CLASS OF BENEFICIARY	AT LEAST	BUT LESS THAN	TAX RATE
parents, children, stepchildren, grandchildren, other lineal descendants			None
brothers, sisters, son-in-law, daughter-in-law	$0	$12,500	5%
	$12,501	$25,000	6%
	$25,001	$75,000	7%
	$75,001	$100,000	8%
	$100,001	$150,000	9%
	$150,001	all amounts over	10%
Any person not exempt or Included in class 1	$0	$50,000	10%
	$50,001	$100,000	12%
	$100,001	all amounts over	15%
Qualified Charities			None

GETTING STARTED

Where Do We Go From Here?

Estate planning is a process that we identify as three distinct steps. In most situations we can complete all these steps in two meetings.

Step 1: We meet with you (often with the input of your financial advisor) to discuss what assets comprise your estate. This process is streamlined if you have completed the "Estate Planning Questionnaire" on page 13 prior to the first meeting. Identifying all your assets and all of your debts is an essential first step so that we can accurately assess what federal estate tax or state inheritance tax issues may exist. At this first meeting we will also discuss with you what legal documents are appropriate to carry out your wishes. The documentation that is appropriate is individualized to each client. By working through the Estate Planning Questionnaire, you will have addressed a number of variables that will impact your estate plan.

Step 2: We will draft the necessary documents for your Estate Plan (our expectation is to have drafts to our clients within ten days from our first meeting). Subsequently, we schedule a meeting at our office to thoroughly review the documents and make any adjustments that are appropriate. We will make certain at this meeting that you fully understand the specific purpose for each document. Typically, at this second meeting, all of the Estate Plan documents can be signed, witnessed and notarized.

Step 3: The final step that is necessary for estate plans that include a Revocable Living Trust is the "funding" of the Revocable Living Trust. We prepare and file Deeds to transfer all of your real estate (i.e. house and farms) into your Revocable Living Trust. We also discuss with you and your financial advisor what other investments and assets you should re-title with your new trust name on accounts or assets.

To discuss your estate plan, please contact us at:

Carlson & Burnett, LLP
816 South 169th Street
Omaha, NE 68118

(402) 934-5500
www.carlsonburnett.com

HOW OFTEN SHOULD I REVIEW MY OLD ESTATE PLAN?

An estate plan should be reviewed periodically to ensure that it still satisfies your estate planning objectives. Notwithstanding the need for periodic reviews, the following are some guidelines for situations that may necessitate an update in your estate plan.

The most obvious need for an update to an estate plan occurs whenever there is a change in the family unit. For example, events such as marriage, divorce, disability or death of a family member all necessitate reviewing your current estate plan. Because the spouse or other family members are typically named as the fiduciary in the Power of Attorney, Will and Trust Agreement, a change in the mental or physical condition of the named fiduciary almost always necessitates a review to determine if they are still capable of carrying out their responsibilities.

A change in the tax laws or Medicaid laws may also require a review of your old estate plan. Estate plans that were signed in the 1980s and 1990s were implemented with an estate tax deduction of approximately $600,000. However, many estate plans that were properly drafted to avoid or reduce federal estate taxes over the past twenty years are now obsolete because the current estate tax deduction is $5.0 million and set to scale back to $1.0 million in 2013.

Another condition that may necessitate a review in your estate plan is a significant change (i.e. positively or negatively) in your net worth.

The final guideline to reviewing your old estate plan is simply to periodically sit down with an attorney to have it reviewed. A good rule of thumb – review your estate plan with your advisor every four to six years to assure that the estate plan still satisfies your estate planning goals.

ESTATE PLANNING QUESTIONNAIRE

NAMES *(include full legal name)*

Husband .... **Wife** ....

Address ....

Phone No. .... **E-mail** ....

PRIMARY BENEFICIARIES *(List Beneficiary's Full Legal Name, approximate age, relationship (i.e. child, niece, friend, etc.)*

....

....

SPECIAL BEQUESTS: Any special distribution requests upon passing *(ie. grandchildren, charities, etc.)*

....

....

PERSONAL REPRESENTATIVE/SUCCESSOR TRUSTEE *(who will handle your financial matters and estate on death) (we assume that your spouse, if you have surviving spouse—will be the first choice unless directed to the contrary)*

1ST Choice ....

GUARDIAN FOR MINOR CHILDREN *(Not applicable if children are legal age) (person responsible to oversee care and raise minor children)*

1ST Choice ....

FINANCIAL POWER OF ATTORNEY to assist you with your personal financial decisions and your "MEDICAL POWER OF ATTORNEY" if you become incapacitated? *(we assume that your spouse, if you have surviving spouse—will be the first choice unless directed to the contrary)*

1ST Choice ....

FINANCIAL MATTERS

ASSETS *(estimated total value)*

How is Account Titled? *(H, W or Joint Ownership) (H, W, or Jt)* ....

Is there a Beneficiary? *POD or TOD on Account?* ....

Home *(list FMV & Outstanding Debt)*

Farmland *(FMV & Debt)*

Number Acres ....
Value Per Acre $
Value of Equipment $

Other Real Estate *(i.e. 2nd home, Timeshares, rentals)*

Checking Accounts $
Savings & Cert. of Deposit $
Stocks/Mutual Funds $

401 (k) & IRAs:

Husband's ....
Wife's ....

Life Insurance:

Husband as Insured ....
Wife as Insured ....

Annuities ....

Bonds $

Other Investments ....

Total Estate Value Estimate $

CARLSON BURNETT

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