D3 Financial Counselors

Ethics, Education & Experience™

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

Re: Gaterson Estate Plan

Hello John and Jane,

It was good to meet you both (and your daughter). I know D3 Financial Counselors can help you with your current trustee responsibilities. Besides the 3 hours we met discussing issues and background of the Gaterson Family Limited Partnership (GFLP), the Gaterson Children's Trust (CTrust) and the Howard Gaterson Trust (HTrust), you asked me to review these documents and provide my strategic insights on how to 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, D3 Services and Follow Up. Please recognize that this summary is not all inclusive and includes my opinions; which if I had more information about your family dynamics, may be different than what is stated below.

Goals:

1. Carry out Howard Gaterson's legacy intentions (provide support to children and grandchildren's education).
2. Minimize effort necessary to administer and execute the Gaterson estate plan.
3. Maintain opportunities to promote productive family time together.
4. Target complete termination of GFLP and CTrust by 2034 unless extended for future family or estate planning purposes.

Observations from Document Review:

1. The HTrust should be divided into 4 equal shares because none of Howard'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 CTrust is designed to last 21 years at most. The goal of the trust is to provide necessary and proper support for Howard's children.
3. The CTrust trust should be divided into 4 shares. The only assets for each trust share will be a 25% of GFLP and 25% of any investment account held by CTrust.
4. Normally Irrevocable Life Insurance Trusts (ILIT), are designed to pay estate taxes if any on the gross estate. The ILIT has already been distributed.
5. The general partner of GFLP and the trustees for the HTrust and CTrust are entitled to compensation

6. I could not determine the owner of L.G.G. Inc. (LGG); the general partner of GFLP. It is likely the trust is 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 Howard Gaterson, LGG, GFLP and CTrust
3. Complete Tax Returns for 2013 by July 1, 2014. Because GFLP and the HTrust and CTrusts 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). D3 can review the returns to help you assess the impact passing income or losses to the beneficiaries. Identify if the any of the siblings has already filed a 2013 return.
   a. Order of returns for 2013 is as follows: Final Return for Howard, GFLP, LGG, CTrust, HTrust, ILIT (final if no income reported for 2014).
   b. Order for returns for 2014, GFLP, LGG, CTrust, ILIT (if no final return for 2013) HTrust (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 (Quicken Home and Business or Quickbooks) or hire a trust administrator (Attorneys Title Guaranty, Midwest Trust or Trust Company of Illinois) to keep track of accounting for income and principal distribution purposes.
5. Set up the GFLP to distribute income to the beneficiaries at least annually
6. Distribute the non-income producing vacation property to the beneficiaries directly out of GFLP.
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 GFLP that will not generate a greater than 6% average rate of return (that is the return of the Inland Investments) or that take more than 1 hour per month to manage (rental home in Wheaton, vacant lots in Wheaton, etc.).
9. If you maintain vacant lots, structure the GFLP 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 GFLP especially illiquid assets (private bank stock, etc.)
11. Refinance your mortgage and have the proceeds deposited into GFLP to fund future distributions to CTrust.
12. Distribute all cash in GFLP into CTrust to be invested.
13. Determine a reasonable per hour dollar amount that family members should be compensated at 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 at the Lake property to determine family member needs and to determine if the CTrust investments are structured appropriately to satisfy those needs (trip potentially funded by CTrust).
15. In light of this inheritance, all siblings should review their own estate plans.

D3 Services:

1. D3 Financial Counselors could provide our Affordable Family Office Service to the Smith family for a 1% fee ($10,000 minimum/year). This would include the services described on the attached brochure as well as being a sounding board for GFLP and CTrust matters, to the extent they would affect the Smith family.
2. D3 Financial Counselors could also act as investment advisor for the HTrust investments (to the extent not distributed), the GFLP and the CTrust for .5% per year ($5,000 minimum fee).
3. D3 Financial Counselors would provide non-portfolio related hourly services if required to GFLP and CTrust at $200/hour (i.e. facilitating Inland liquidations).

Follow Up:

1. I did not provide any specific investment recommendations (nor did I bill any time) for any of the estate entities because I realized that investment recommendations depend on whether or not you agree with the goals stated at the beginning of this report and what action steps you undertake.
2. If you do agree with 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.

Just as this document adds value to you by providing strategies and tactics, I am convinced that D3 Financial Counselors can add value to you on an on-going basis if you decided to use us for our Affordable Family Office, and/or our Advanced Portfolio Management Services.

Sincerely,

Donald D. Duncan MBA CFA™ CPA CFP®
D3 Financial Counselors
Offices in Downers Grove and Chicago
630-271-0033
Don@D3FinancialCounselors.com
www.D3FinancialCounselors.com