



# Briefings

ISSUE 1, VOLUME 1  
FALL 2007

## TN TOP 8

### *Top Eight Times to Update an Estate Plan*

The one constant thing in life is change. If there have been significant changes in your situation, personally or professionally, it might be time to review and update your estate plan. Here are the top eight times when you should consider updating your estate plan:

1. There has been a birth of a child or grandchild in your family.
2. You've recently been divorced or married.
3. There has been a death in the family.
4. You have received a significant inheritance.
5. There has been a decline in your or a family member's physical or mental health.

6. There have been changes in the laws that affect you.
7. You have had a significant change in your net worth.
8. You haven't reviewed your plan for more than five years.

Our job is to help you preserve your wealth, minimize estate and gift taxes, keep administrative costs low and make sure your property is distributed as you wish. If any of the above eight apply to you, please call (952) 835-7000 and ask for a member of our Estate Planning team to set up an appointment to review your estate plan.

### Be Proactive and Prepare for Your Tax Return

Now is the time to start planning and preparing for your tax return. There are current actions you can take to save money now and in the future. Below is a checklist of possible actions you might want to consider (if applicable) before year-end. Please contact us soon should you have any questions about which tax saving moves to implement or take advantage of this year.

- Contribute to college 529 Plans (prepaid tuition plan or the college savings plan) and/or the Coverdell Education Savings Account (CESAs).
- If you are 70 1/2 years of age or older and need to take a distribution out of your IRA, consider a charitable contribution of up to \$100,000 taken directly from your IRA to the charity or charities of your choice without having to claim it as income or a charitable contribution on your tax return.
- If you have short- or long-term capital gains or losses from the sale of stock or other capital assets or are thinking of selling those assets, contact us to determine the best timing to maximize your gains and minimize your losses.
- Increase your basis in an entity if you own an interest in a partnership or S corporation and you need to deduct a loss this year.
- Business clients should consider making expenditures that qualify for the \$110,000 business property expensing option. (The Section 179 first year depreciation deduction).
- Consider using a credit card to prepay expenses that can generate deductions for this year. A check that doesn't clear the banks by December 31 does not generate a current year income tax deduction.
- Implement a "bunching strategy" for "miscellaneous" itemized deductions, medical expenses and other itemized deductions.
- If you are facing a penalty for underpayment of estimated taxes you may be able to eliminate or reduce it by increasing your withholding.
- If you are considering donating a car to charity, finding out how they will be using the car can increase your deduction.
- By gifting up to \$12,000 to an unlimited number of individuals, you can take advantage of the gift and estate taxes sheltered by the annual gift tax exclusion.
- Increase your 401(k) deduction in order to attain the maximum deduction of \$15,500 for 2007. If you meet the maximum amount and are over the age of 50, you can contribute an additional \$5,000 under the "catch-up" provision.

These are just a few of the techniques and suggestions you can implement to reduce your tax burden. Don't hesitate to call us to discuss your options and how to prepare proactively for your tax return.

#### Tax Organizer Booklet Available

If you haven't received a Tax Organizer Booklet previously and would like one to help you review 2007 and begin gathering the required information needed to complete your individual income tax return, just give us a call and we will gladly send one out to you free of charge (available in late November).

#### What to Gather

Here are a few of the things you will want to start gathering in preparation for your tax return: W2s, dividend and interest statements, stock trade confirmations, IRA contributions, charitable donation receipts, investment expenses, medical expenses, property tax statements and mortgage interest.

## Estate Planning CASE STUDY:

### Review Your Plan to Protect Your Wishes

John and Jane Smith\* came to Thomsen & Nybeck, P.A. to have their estate plan and financial affairs reviewed. They hadn't reviewed their plan for years and their will was drafted while they were residents in another state. They had three adult children, one of whom has Down's Syndrome. What they wanted to know was:

1. Is the will valid now that we've moved to Minnesota?
2. How can we avoid probate and minimize Federal and Minnesota taxes?
3. Will our children be taken care of?
4. How can we best give money to our favorite charity?
5. All our assets are held in joint tenancy, is that a good idea?

Their will was indeed valid, but because their assets were held in joint tenancy, that would take precedent over any asset designations in their will. Although they would avoid any taxes using the joint tenancy agreement at the time of the first spouse's death, upon the death of the remaining spouse, they would then be taxed on the entire amount of the estate.

Estate planning attorneys at Thomsen & Nybeck sketched out a better plan for John and Jane. The new estate plan ensured their money went where and

to whom they wished and it also relieved some of the tax burden created by their current plan.

Assuming the Smiths had assets of \$5 million, a better solution was to set up two Revocable Trusts each in the amount of \$2.5 million, thus eliminating both a probate proceeding and a potential financial guardianship. Also recommended was a Charitable Remainder Trust where a designated amount would be allocated for the care of the child with Down's Syndrome, and upon his death, the remainder of the trust would go to the designated charity named in the trust. Doing this, along with setting up a Residuary Trust within the Revocable Trust to take advantage of the \$1 million that can be put into the trust without incurring Minnesota estate taxes, using the marital deduction and the unified credit significantly reduced the estate taxes.

Adjusting their estate plan provided for the continued care of their child with Down's Syndrome, divided the estate among the children, set up a charitable gift and saved them slightly more than half of the projected taxes they would have incurred with their current plan. They were relieved to know not only would their children be taken care of, but that they saved a significant amount of money in estate taxes that could now be used for other needs and wishes.

If you have questions or concerns about your current wills, trusts or estates – or need help in creating them – please give an estate attorney at Thomsen & Nybeck a call at (952) 835-7000.

\*Names were changed to protect the clients' confidentiality.

## NEWS & NOTES

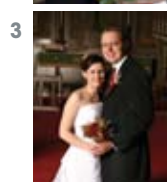
There's always a lot going on with our attorneys at Thomsen & Nybeck. Here's what they've been up to lately.



**Matt Drewes (1)** was promoted to shareholder as of November 1, 2007. Matt works in the Litigation Practice Group and focuses mainly on construction defect litigation, commercial litigation, debtor/creditor law, real estate litigation, insurance litigation, general civil litigation, community association law and employment law.



Associate Attorney **Ryan Wood (2)** got married on October 13, 2007. (Photo: Ryan and wife Sarah.)



Associate Attorney **Ivory Ruud (3)** got married on October 6, 2007. (Photo: Ivory and husband Daniel Hoseck.)



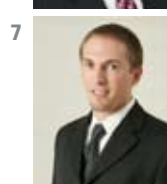
Associate Attorney **Natalie Walz** finished the blazing hot Twin Cities Marathon on October 7. She finished in an amazing 4:15:29.



Shareholder **Chris Renz (4)** has been popping up in local – and national – papers lately. The Wall Street Journal featured Chris as their Law Blog Lawyer of the Day on October 8, 2007. He also authored The Minneapolis/St. Paul Business Journal's Strategies column in the September 27, 2007 issue. The column was titled "How to proceed when your business is presented with a lawsuit."



Shareholders **Gordon Johnson (5)** and **Dennis Patrick (6)** hosted a booth at the Edina Senior Fair, where they educated attendees who stopped by the booth on estate planning, wills and trusts.



**Don Smith**, Shareholder, and **Brad Boyd (7)**, Associate, have begun handling administration for the Minnesota Association of Realtors' Professional Standards hearings. Don and Brad both significantly focus their practices on real estate law.

## ATTORNEYS

Below are the Thomsen & Nybeck attorneys who contributed to the content in this issue.



**Gordon Johnson**, Shareholder, is a founding member of Thomsen & Nybeck. He practices in the transactional section of the firm with a focus on the areas of Taxation and Estates, Wills, and Trusts. (952) 835-7000  
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**Dennis Patrick**, Shareholder, practices in the transactional law section of the firm and focuses his practice in the areas of Estate Planning, Taxation, Probate and Business transactions. (952) 835-7000  
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Cover page photo credit:  
**Brad Boyd**, Associate

## PRACTICE AREAS

Thomsen & Nybeck has in-depth experience and knowledge in the following practice areas. Call us today at (952) 835-7000 if you have a matter we can help with.

Business Law  
Construction Defect Litigation  
Criminal Law  
Employment Law  
Estates, Wills and Trusts  
Family Law

Financing  
Litigation  
Personal Injury  
Real Estate  
Taxation  
Townhome &  
Condominium Law

“Large enough to be effective.  
Small enough to care.”