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Your Bottom Line

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Navigating a clear course toward your financial security.

Trust Company Services

David T. Mayes

A revocable living trust is a common estate planning document. The trust is a private document that protects the grantor (the creator) of the trust during his or her incapacity and directs the distribution of assets after death. The grantor often acts as the trustee of the trust during his or her lifetime. The uncertainty of life and the inescapable issue of mortality require the grantor to appoint a successor trustee. The personal decision about appointing a successor trustee is often complicated by concern about an heir's capability to handle the fiduciary duties.

Appointment of an adult child as a successor trustee is often fraught with problems, usually stemming from his or her lack of trustee experience. After the death of the grantor, assuming assets remain in trust for one or more minor children or grandchildren, trust income must be accounted for separately from trust principal. For example, interest and dividends earned in the trust are usually paid out to beneficiaries as income, but capital gains earned on the assets are added to the principal of the trust for the remainder beneficiaries.

Besides facing trust accounting issues, trustees are often placed in awkward situations with respect to siblings. Many family squabbles have begun over money issues precipitated by one child being appointed as a trustee over another child's inheritance.

To solve this perpetual problem, Mackensen & Company helped found National Advisors Trust Company (NATC) in 2001. NATC is a federally-chartered trust company that was created by some 120 financial advisors throughout the United States.

By appointing National Advisors Trust Company as the successor trustee to the grantor, the grantor is assured the provisions of the trust document and subsequent amendments are professionally executed. Income and principal will be properly distributed according to the terms of the trust. When the trust ends, the trustee will see to the distribution of trust assets to the beneficiaries according to the provisions of the trust. A corporate trustee, such as National Advisors Trust Company, does not die, so the successor trustee mortality issue is resolved.

Through National Advisors Trust Company, Mackensen & Company may provide trust and custodial services to clients in all 50 states. Over the last nine years we have been pleased with the professional handling of various clients' trusts by National Advisors Trust Company. The trustee fee is low, and our clients have been receiving responsive service. Mackensen & Company remains the investment advisor after the grantor resigns or passes on, and we also continue to prepare the tax returns for the trust. Services for the trust continue uninterrupted. ❖

Summer Day Camp

Deb Curtis

Many working parents must arrange for care of their young children during school vacation. A popular solution – with favorable tax consequences, according to the IRS – is a day camp program. Unlike overnight camps, the cost of day camp counts as an expense towards the child and dependent care credit. Of course, even if your child care provider is a sitter at your home, you will get some tax benefit if you qualify for the credit.

The credit is figured on expenses up to $3,000 ($6,000 for two or more children). The credit rate ranges from 20% to 35% of expenses, depending on your income. The 35% rate applies if your income is under $15,000; the 20% rate applies if your income is over $43,000.

For more information, visit www.irs.gov/pub/irs-pdf/p503.pdf or call us for details. ❖

Uncertain Times Make Planning More Important


David A. Batchelder

A year ago, it was difficult to find any positive news regarding the economy or the stock market. Despite improvements in both over the last twelve months, we are still sensing a lot of uneasiness in our conversations with investors. Apparently, most Americans are feeling the same way. According to a recent Union Bank survey, 90 percent of us link stress with concerns about the economy.

It seems the only thing we can be certain about is that things have changed. Many economists see the recovery not as a return to normal but the start of a new normal with slower economic growth, higher unemployment, higher tax rates and diminishing U.S. dominance on the world economic stage. All of this is the result of an abrupt end to our debt-driven consumer spending spree, though the government has done its fair share to replace private consumption via its rapidly expanding federal deficit. The return to private sector growth will be slow.

Our burgeoning national debt begs the question of how it will ever be repaid. Are Social Security and Medicare – programs we have been counting on to help secure our retirements – in jeopardy? Will the new normal economy include higher inflation, thereby reducing the purchasing power of our retirement nest eggs? With so much uncertainty about the future, it is hard to be confident about the best ways to manage our personal financial resources in the new economic reality.

While we can only speculate about how the future will unfold, putting together a financial plan provides a sensible way to deal with the uncertainty. Planning works by forcing us to set achievable goals and by providing a framework for behavior that is likely to lead to success. For retirement savers, planning will help identify the amount necessary to save each year to reach the required nest egg at retirement.

When setting retirement goals, you should build in some flexibility when establishing living expenses and other lifestyle objectives such as travel. Ranges should be established for these spending items. Even if your investments do not perform consistently, your budget will still allow you to thrive without having to endure severe cutbacks in your living standards.

With your spending goals identified, we will need to determine how to invest your savings to provide a sufficient return. Because risk and reward are interrelated, your retirement portfolio needs to be structured to provide a return that is consistent with your goals, without forcing you to assume an uncomfortable amount of risk. While low but conservative returns will leave you with a slow-growth portfolio that may lose ground to inflation, taking on too much risk can also have undesirable results in volatile times. Knowing your tolerance for fluctuations in the value of your portfolio will help strike the right balance.

To keep your investment strategy on track, it helps to put your strategy in writing by developing an investment policy statement for your portfolio. A common tool of institutional investors, investment policies provide a roadmap to guide investment decisions by spelling out in detail how a portfolio is to be allocated among stocks, bonds, cash and other assets. Having this type of formal framework in place can help avoid our natural human responses to market gyrations that can negatively affect long-run portfolio performance. Although having a plan does not guarantee that your goals will be met, it does help you keep your eyes on the prize and avoid emotional decisions that can derail your progress. ❖

Adviser's Statement Available

The Investment Advisers Act of 1940 requires that all registered investment advisers offer a disclosure statement to all clients at least annually. Mackensen & Company invokes the "brochure rule" and offers our Form ADV Disclosure Statement to all clients and prospects. Call or write if you would like a copy sent to you. ❖

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