

# PROFESSIONAL FINANCIAL SERVICES, INC.

*"DESIGNING AND PROTECTING WEALTH"*

*ONE PLAN AT A TIME*

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July 13, 2012

Mr. Robert E. Tucker  
10913 Lawyers Road  
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Dear Bob:

I thought it might be time for an update, so here goes.

## **Due Diligence Trip**

From time to time I go on 1-2 day trips to meet with the senior management of companies who manufacture the investment products I use and offer to clients. In early June I went to New York and then to Philadelphia to meet with representatives of:

- KBS Real Estate Investment Trust
- Franklin Square Power and Energy
- Brinker's
- Morningstar Managed Portfolios

These meetings give me further insight into their product offerings and how they apply to and potentially benefit individual investors. They always prove to be well worth the time, and these recent meetings were no exception.

## **The Markets**

My comments have not changed. Maintain adequate cash. Strategically diversify. Expect volatility. Consider tax deferral and tax reduction techniques. Above all, be patient.

## **Important Notice regarding Long Term Care Insurance**

If you (1) have considered Long Term Care Insurance but have not yet purchased it; (2) have a policy but it's old and with low limits (less than \$200/day coverage), and /or (3) have family members, friends, or colleagues that don't have Long Term Care coverage, you might be interested to know the Industry is changing – rapidly.

**A REGISTERED INVESTMENT ADVISOR**

*Securities Transactions Offered Through*

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While there are a few really good insurance companies, many have left the market. One of the best that remains committed to offering this type of insurance has announced that as of 8/1/2012 they are revising their offerings. Here's what they're doing:

- Raising costs
- Reducing or eliminating a variety of discounts
- Offering less liberal benefits
- Eliminating lifetime benefits

Oh by the way, among the clients I have served over the years, the highest incidence of claims has been for Long Term Care. In this area, the cost for care is in excess of \$200 per day – that's \$73,000 per year – not covered by health insurance and minimally covered by Medicare.

The fact is that Long Term Care costs are the "Achilles' Heel" of most financial plans.

Now is the time to address this need. What is coming will cost more and provide less. Let me know if we can help you evaluate your options.

### **Estate Planning**

As you may know, the estate tax exemption per person is scheduled to be adjusted from \$5,120,000 to \$1,000,000 on January 1<sup>st</sup>. The question is "Will Congress act before January 1<sup>st</sup>?" Frankly, I do not believe they will.

Over the last few years, it has become increasingly clear – at least to me – that whatever Congress does cannot be relied upon to be permanent. So, what can one do? Well, some "document tweaking" may well be in order. If you have concerns about your legal documents and if your estate is greater than \$1,000,000, I suggest that we talk. Remember, your "estate" is all that you own (including the death benefits of personally owned life insurance) minus all that you owe. So, if you have the slightest concern, please give me a call.

Also, enclosed is an article we received entitled "My dad's perfectly crafted estate plan." Routinely, I make reference to the importance of planning. This article is particularly poignant and articulates the very essence of why I continually focus on it. Please take a few minutes and read it.

Fortunately or unfortunately, planning is an ongoing process – not a one-time project. All types of events create the need for a fresh look. Events like changes in your family, your attitudes, tax laws, your income, inheritances received, retirement, and the list goes on. If you haven't looked at your plans for a while, it might be time to do so.

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**Office Changes**

One of my assistants, Dayna Mabry, recently took the position of Office Manager with another firm. We certainly wish her well in her new endeavors.

With Dayna's departure I will be looking for a new employee – specifically a Para Planner – some time towards the end of the summer. So, if you know of someone, I'd be happy to discuss a potential candidate with you.


**Professional Financial Services, Inc. – A Registered Investment Advisor**

Every year we have to file an annual report with Virginia, Maryland, and the District of Columbia regarding our registration as a Registered Investment Advisor. This document discusses who we are, what we do, and how we do it. If you would like a copy of our registration, please let us know. We'll be happy to send a copy to you and/or someone important to you.

**Conclusion**

As always, thank you for the continued opportunity to be of service. Regardless of the issue, please call us with questions or concerns. We exist to serve you, and we value your business.

Best regards,



Robert E. Tucker, CLU  
Chartered Financial Consultant

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Enclosure

## **My dad's perfectly crafted estate plan**

**My dad died recently. He was a good man and a great father. Just three months after he retired (after spending more than 40 years as a salesman for an oil company) he was diagnosed with stage 4 colon cancer.**

**Throughout my life, my father tried to give my brothers and me a good financial education.**

**For instance:**

- We were solidly middle class, but I always thought we were sort of poor. Often, there wasn't money for this or that. But Dad taught me to be comfortable living below my means.**
- If I needed money, Dad told me to get a job. My brothers and I all had jobs since we were about 12. I packed rice into takeout containers at a Chinese restaurant when I was in seventh and eighth grade.**
- He taught me that charity matters. We sponsored kids our age in poor countries as a way to give back and underscore how fortunate we were.**

**But the most unexpected financial lesson my father taught me came after he passed away. I am the executor of his estate. My dad was always a planner, but the things he did to make this processes easier are amazing. I feel compelled to share them with just about everyone I know.**

### **Building a team**

**My dad lived on a beautiful lake in Missouri, which is about five hours from where I live. Every time I'd go and visit him, he would set up a meeting with his "key people." I'd argue against it. "Dad, I don't really need to meet your tax guy," I'd say. He insisted.**

**I met his insurance representative. We took his attorney to lunch. Just about every time I came to visit, he had to "stop at the bank for a minute." I'm on a first-name basis with his bankers. When his "Fidelity lady" called, he'd say, "Just a minute. I want you to talk to my daughter." I would roll my eyes and be embarrassed for both of us as he handed me the phone.**

**This is all years ago, when it looked like chemo was working and he would beat cancer.**

**Today, these connections have been invaluable. When my dad's insurance representative heard that he had passed away, *he* called *me* and had already dropped the forms in the mail. His banker has made everything so easy. "Don't worry about that. You can sign it next time you're here." His "Fidelity lady" also contacted me and filled out half the paperwork for us.**

I can't count how many times I've said, "Thanks, Dad, for looking out for me." I knew who to call. I've met them. I have their business cards.

### Negotiating fees

That lunch with the attorney who wrote his will was so helpful that I'm *still* in awe. When the dust settled, I called her and said, "What now?" She knew exactly what to do and had all the information to do it. But, get this: Dad negotiated the estate fees as well. He told her, "If my daughter decides to use you to settle the estate (knowing he had already stacked the deck in her favor) let's negotiate a not-to-exceed amount that you would charge." He then put that amount in a targeted bank account.

I was thinking that the cost for the legal fees would be about \$7,000 or \$8,000. I had no frame of reference. This was just a number in my head. The fees were \$20,000. I was blown away. When I did some research and called some lawyer friends, I learned that lawyers typically charge between 3% and 5% of the total value of the estate. My dad had negotiated 2% and put the money in an account I had immediate access to. Again, thanks, Dad!

### Planning ahead

Several years ago when he was still healthy, he added me to his bank accounts. My name was on his checks. I argued against it because I thought it was unnecessary and I was always taught that money and account balances are private information. He wanted me to do it anyway. (His credit was always spotless, so I knew there was no risk for me.)

When his health started to fail and then when he passed away, it was absolutely seamless for me to pay his bills. I could sign the checks. (He even made me "try it out" years ago by writing a \$10 check to my brother.) I could pay bills online. He made sure there was enough money in that account to pay the bills in case his house doesn't sell for almost two years.

### Preparing for the worst

My father prepaid his funeral expenses and left extra money in that checking account for miscellaneous expenses. Again, my dad was a planner. He had a master binder. He had wanted to review his funeral arrangements with me, but that was more than I could handle. He told me that when I needed the plans, I just had to flip to "F" for funeral in his binder.

Everything was there: the places he had made arrangements with and copies of canceled checks with business cards attached to them. There

were five copies of a photograph he had taken when he was still relatively healthy for us to use in the obituary. Attached to that was his obituary. He had written it himself.

Even as organized as he was, there were unforeseen costs of about \$3,500. It was a rainy, windy day and we needed a large tent and chairs at the graveside. Obituaries cost about \$100 a day. I had no idea newspapers charged for obituaries. My grandma wanted the obituary in several other papers along with the ones my dad specified, which was fine, but I was shocked to see that it cost \$500 more. That checking account I already had access to was key. Luckily, his funeral didn't become a financial burden on anyone.

### Settling affairs

When Dad updated his will several years ago, he asked if I would be his executor. Of course I said yes. He told me that I was entitled to compensation for doing this. He recommended I take a 2% or 3% commission. I said no way. It felt like I would be charging him.

After he passed away and I realized all that it entailed, I found myself thinking that maybe I should have taken him up on that offer. Being the executor of an estate -- even a very well-planned estate -- took about 10 to 15 hours a week for months. It's a big job. I found myself resenting my brothers since I was doing it all.

When we went to Fidelity to split up his IRA, he had stipulated that I receive 1% more than my brothers for my job as executor. He paid me anyway. He knew the job should come with some compensation and he preserved my relationship with my brothers. See what I mean? My dad was amazing, and this is just a small peek into his wonderful life.

### A gift from the grave

I honestly consider my father's financial planning to be a selfless act of love. Despite his generosity, I would trade every last cent for 10 more minutes with him. When someone you love dies, it's brutal, emotionally and physically. Trust me, you really are in no state to make these types of financial or legal decisions on your own (unless maybe you are an expert).

As J.D. Roth says, don't let the perfect be the enemy of good. Not having any plans is a giant mistake. Do what my dad did. Do a little at a time and refine your plan along the way as you become more knowledgeable.

- Author Unknown