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MESSAGES from the Masters

THE DEFINITION OF WEALTH by Brian Tracy

If you want to be wealthy, you must understand what wealth is. Here is the best definition of wealth you will ever find. Wealth is "Cash flow from other sources."

MAKE YOUR MONEY WORK FOR YOU

You are not wealthy just because you earn a lot of money. You are only wealthy when your money works for you. To become wealthy, your main job is to acquire money and then put it to work making more money for you.

ADD VALUE CONTINUALLY

The key to creating wealth is called "adding value." Successful people are always looking for ways to add value in some way to a person, a company, a product or a service.

DO IT FASTER

Here is an example of adding value: Domino's Pizza. The founders of Domino's Pizza took a common food, offered by thousands of little restaurants and added a value to the pizza by delivering it more rapidly than anyone else. The added value of speed enabled Domino's to create a billion dollar empire.

BUY IT CHEAPER SOMEWHERE ELSE

Another way to add value is to buy something in one place at one price and then make it available in another place for another price.

IMPROVE THE LIFE OR WORK OF OTHERS

Performing a service that enhances the life or work of another person adds value. A dentist who takes away pain is adding value. An accountant who saves a client money on taxes is adding or actually creating value. A salesperson who introduces a new product or service to a customer that helps that customer in some way is adding value. All financial success, especially business success, is based on adding value. It is based on the old saying, "Find a need and fill it."

COMBINE AND RECOMBINE THE ELEMENTS OF VALUE

All successful business is based on someone bringing together the factors of production and creating a product or service that a customer will pay a price for that is in excess of the cost of producing it.

HOW FORTUNES ARE MADE

Adding value is the way that all fortunes are made. Almost any business or occupation can make you financially independent if you can find a way to add enough value.

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About Our Firm...

McCormick-Klessig & Assoc., Ltd. provides individuals, families, small and medium sized businesses with complete coverage of personal and business risks in all product lines: Commercial Personal Life Accidental and Health (including group products).

Estate Ideas

Marital Deduction Planning

Will Use of the Marital Deduction Eliminate the Federal Estate Tax?

Use of the unlimited marital deduction will **NOT** necessarily eliminate the federal estate tax. At best, use of the unlimited marital deduction generally will **POSTPONE** payment of the federal estate tax, not **ELIMINATE** it. If the taxable estate of the surviving spouse exceeds the unified credit equivalent*, federal estate tax will then be payable at the surviving spouse's death. In fact, postponing payment of the tax may result in an even higher federal estate tax, if estate assets continue to grow.

For Example...

Simple Will	Credit Trust Will
With a simple "I love you" will, all assets generally are left to the surviving spouse at the first spouse's death. The unlimited marital deduction is applied and no estate taxes are paid on this first transfer, meaning that the unified credit amount*...the amount that can be transferred to anyone free of estate tax...is wasted at the first spouse's death. As a result, at the surviving spouse's death, the estate may be more heavily taxed, resulting in shrinkage in the size of the estate that is ultimately received by the heirs.	The objective of marital deduction planning is to minimize the total federal estate taxes paid by both spouses. One way to do this is to take full advantage of the unified credit at both spouses' deaths by splitting the estate into two parts at the first spouse's death: 1. An amount equal to the unified credit equivalent* is placed in a credit trust (also known as a credit bypass, family, nonmarital or "B" trust) and escapes estate taxation through use of the unified credit. 2. The remainder of the estate is passed to the surviving spouse, either outright or in a marital or "A" trust. The unlimited marital deduction is applied and no estate taxes are paid on this first transfer. At the surviving spouse's death, only this portion of the estate is subject to estate tax and then only if it exceeds the unified credit then in effect.* Since the estates of both spouses take full advantage of the unified credit*, the result is less estate tax liability.

* Based on 2009 estate tax rates and a $3.5 million unified credit equivalent. The Economic Growth and Tax Relief Reconciliation Act of 2001 repeals the estate tax for one year – 2010. Under that law, the federal estate tax continues, but with increasing unified credits and decreasing top estate tax rates, until 2010 when it is repealed only for that year. Without future Congressional action, the 2001 federal estate tax rules will be reinstated in 2011, but with a $1 million exemption equivalent (as scheduled to increase prior to the Act).

If you'd like more information on how to make best use of the marital deduction, please contact my office.