

**CASE STUDY AND GROUP QUESTIONS FOR DRAFTING AN ESTATE PLAN FOR
AN ESTATE UNDER \$5 MILLION
PROBATE CERTIFICATE LIMITED ENROLLMENT SEMINAR**

Fact Scenario

You recently met with Mark G. Andrews and Nancy M. Andrews, husband and wife, for the purpose of preparing an estate plan. They provided you with the information in the attached questionnaire, which discloses the following:

- This is a second marriage for both Mark and Nancy.
- Mark (age 58) and Nancy (age 50) have been married for 12 years.
- Mark has two children from his first marriage: Susan (age 30) and Michael (age 28).
- Nancy has three children from her first marriage: Warren (age 20), Matthew (age 18), and Nathan (age 16).

In additional clarification of the asset information provided in the questionnaire, at the initial conference with Mark and Nancy, you learned the following:

- Mark's first wife died about one year before Mark and Nancy married.
- Nancy is divorced from her first husband, whom Nancy described as "quite wealthy."
- Mark's daughter, Susan, has special needs. Susan is developmentally disabled and receives SSI and Medicaid benefits. Susan lives in a group home managed by Community Mental Health and has a part-time job at a fast-food restaurant.
- Mark expressed concern about protecting assets for his two children if Nancy were to survive him and re-marry after his death.
- Nancy said that her ex-husband would pay for her children's college expenses.
- Mark and Nancy have no pre-marital agreement.
- Mark's Vanguard account consists exclusively of funds Mark received as beneficiary of a life insurance policy insuring his first wife's life.
- Kent Physicians Group, P.C. is a closely-held medical practice owned by Mark and four other physicians.
- Med Properties, LLC is a closely-held entity that owns the building from which Kent Physicians Group, P.C. operates. It is owned by Mark and the four other owners of Kent Physicians Group, P.C.

You should answer these questions:

GROUP 1:

- (1) What do you advise the clients to do for Susan? In particular:
 - a. How much should be left to Susan or for her benefit? Should Susan get more or less than her brother and step-brothers?
 - b. From what source should funds be left to or for the benefit of Susan?
 - c. Should Susan receive her inheritance outright or in trust?
 - d. If in trust, what are the terms of the trust?
 - e. If in trust, who is the trustee?

- (2) What do you advise Mark and Nancy do with respect to their life insurance policies? Who should be the primary and secondary beneficiaries of each policy? Do the clients need additional life insurance?

GROUP 2:

- (3) Do Mark and Nancy need to plan to avoid or reduce federal estate tax liability? If so, what should be done to avoid or reduce federal estate tax liability?
- (4) To what extent should the surviving spouse be able to modify the terms of the estate plan following the death of the first spouse to die? How do you raise this issue with the clients? What do you tell the clients about this and what do you advise the clients to do? If the clients want to limit the surviving spouse's ability to change the estate plan, how do you achieve this goal?
- (5) Do you advise the clients to use one or more revocable trusts as part of your recommended estate plan? If so, describe the terms of each trust in detail (e.g., who is the Settlor? Trustee? Successor Trustee? What are the rights to amend or revoke? How is the residue distributed upon the death of the Settlor or Settlers? Are the distributions to the beneficiaries outright or in trust? If in trust, who are the remainder beneficiaries of each trust?
- (6) How should the clients title their residences? How should the clients title their investment accounts?

GROUP 3:

- (7) What do you advise Mark and Nancy do with their respective 401(k) and IRA accounts?
- (8) What do you advise the Mark and Nancy do with respect to college expenses for Nancy's children?
- (9) Do you need to ask more about Nancy's ex-husband and his estate plan? Do you need to see Nancy's judgment of divorce?
- (10) Do you need to advise the clients on long-term care? If so, what is your advice?
- (11) What should Nancy do with her one-half interest in Iowa farmland that she co-owns with her sister?
- (12) What should Mark do with his interest in Kent Physicians Group, P.C. and Med Properties, LLC?
- (13) Do the clients need a post-marital agreement?

CONFIDENTIAL ESTATE PLANNING INFORMATION

PERSONAL INFORMATION

Husband's Name: Mark G. Andrews

Wife's Name: Nancy M. Andrews

Husband's Social Security No. _____

Wife's Social Security No. _____

Date of Birth: August 13, 1966

Date of Birth: November 7, 1974

U.S. Citizen? Yes No

U.S. Citizen? Yes No

Prior Marriage? Yes No

Prior Marriage? Yes No

Occupation/Employer: Physician

Occupation/Employer: _____

E-mail Address: _____

E-mail Address: _____

Business Phone: _____

Business Phone: _____

Home Phone: _____

Home Phone: _____

Home Address: 3864 Maple Drive City: Lansing Zip Code: 48912 County: Ingham

Date of Marriage: 12/31/2011 Premarital Agreement? Yes No

CHILDREN (identify any child who is not the child of both spouses)

Mark's children

Nancy's children

Name	Address	Gender	Birth Date	Marital Status
Susan A. Andrews		F	7/7/1994	S
Michael J. Andrews		M	5/13/1996	M
Warren H. Smith		M	1/5/2004	S
Matthew J. Smith		M	2/7/2006	S
Nathan L. Smith		M	3/9/2008	S

AGENTS/ADVISORS, ETC.

Financial Advisor: _____

Accountant: _____

Insurance Agent: _____

Safe-Deposit Box Location: _____

CHOICE OF FIDUCIARIES

Personal Representative (Executor) (the person who will administer your probate estate, if any, following your death)

Name	Address
1.	
2.	

Successor Trustee (the person who will administer any trust after your death or incapacity)

Name	Address
1.	
2.	

Guardian of Minor Children (the person who will be responsible for your minor children, if any, following your death)

Name	Address
1.	
2.	

FINANCIAL INFORMATION

LIFE INSURANCE

Insurance Company and Type of Policy (e.g., group, term, whole life, accidental)	Face Value Amount of Policy Insuring <u>Husband</u>	Face Value Amount of Policy Insuring <u>Wife</u>	Policy Owner (H or W)	Policy Number	Beneficiary
Ohio National - whole	1,000,000		H		Michael J. Andrews
Northwestern - Term		250,000	W		Linda Toth (Nancy's sister)
SUB TOTAL:	1,000,000	250,000			
	Husband	Wife			

RETIREMENT PLAN ASSETS (e.g. 401(k), 403(b), 457, SEP IRA, Traditional IRA, Roth IRA)

Type of Plan (e.g. 401(k), Roth IRA, etc.)	Company Sponsor or Custodian of Funds (e.g. employer, Vanguard, Fidelity, etc.)	Current Value of Account Owned by <u>Husband</u>	Current Value of Account Owned by <u>Wife</u>	Beneficiary
401(k)	Vanguard	1,500,000		Nancy
IRA	Fidelity	100,000	100,000	Linda Toth (Nancy's sister)
SUBTOTAL:		1,500,000	100,000	
		Husband	Wife	

COLLEGE SAVINGS ACCOUNTS (e.g. 529 Plans, Coverdell Education Savings Accounts)

Type of Plan (e.g. 529, Coverdell etc.)	Sponsor or Custodian of Funds (e.g. MESP, Vanguard, Fidelity, etc.)	Current Value of Account	Beneficiary
None			

OTHER ASSETS (attach separate statement or list if necessary)

Type of Asset	Value (indicate ownership by entry in appropriate column)		
	Husband	Wife	Joint
Real Estate (Identify address or location of real estate)			
Primary Residence: 3864 Maple Drive, Lansing, MI			500,000
Vacation Home: 123 Oak St., Charlevoix, MI	400,000		
Other Real Estate: Grand County, Iowa - 120 acres (owned jointly with Linda Toth)		250,000	
Marketable Securities (Identify brokerage account, mutual fund account, stock, bond, etc.)			
Vanguard account	600,000		
Fidelity account			200,000

Cash and Cash Equivalents (Identify bank account, certificate of deposit, money market account, etc.)	Husband	Wife	Joint
PNC Bank - checking	50,000		
Fifth Third Bank - checking		5,000	
Closely-Held Businesses (Identify interest in corporation, limited liability company, partnership, etc.)			
Kent Physicians Group, P.C.	100,000		
Med Properties, LLC	250,000		
Annuities (Identify issuing company, annuitant, and beneficiary)			
Valuable Art, Antique, Coin, Stamp, or Other Collections (Describe)			
Miscellaneous Assets (household items, vehicles, boats, etc.) (Describe)			
1958 Chevrolet Corvette	80,000		
2021 Mercedes GLE	50,000		
2018 Chevrolet Equinox		18,000	
SUBTOTAL:	1,580,000	273,000	700,000

SUMMARY	Husband	Wife	Joint
SUBTOTAL FACE VALUE OF LIFE INSURANCE (from above)	1,000,000	250,000	
SUBTOTAL VALUE OF RETIREMENT PLAN ASSETS (from above)	1,500,000	100,000	
SUBTOTAL OF OTHER ASSETS (from above)	1,580,000	273,000	700,000
TOTAL ASSETS	4,080,000	623,000	700,000
Cottage mortgage balance LESS Mortgages, Loans, and Other Liabilities	(200,000)		
NET ASSETS	3,880,000	623,000	700,000

The information provided above accurately reflects our financial position. We recognize that inaccurate or incomplete information may result in inadequate estate or tax planning. We request that you represent both of us, although we understand that each of us is entitled to separate legal counsel.


 Husband's Signature _____ Date _____


 Wife's Signature _____ Date _____