

# McKONLY & ASBURY<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS



**PCS** Private  
Client  
Services  

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A Firm

# founded on Service

McKonly & Asbury was founded as a firm committed to the ideal of providing superior service to our clients and the community. Over our three decades of existence, we have grown to become one of the largest and most qualified public accounting and consulting firms in the region. Our clients include companies with facilities and operations across the United States and around the world, but our foundation is serving the local businesses that are the bedrock of our region's marketplace. Because of our talented, experienced, and professional team, we are able to offer world-class expertise while we focus on providing the local service that our clients deserve. McKonly & Asbury provides audit, tax, and consulting services. McKonly & Asbury is also an independent member of IGAF Polaris, a global association of firms providing shared expertise to their clients. For more information, visit McKonly & Asbury at [www.macpas.com](http://www.macpas.com).

McKonly & Asbury has been named a Best Place to Work in PA seven times by the Best Companies Group. McKonly & Asbury added to these accolades by being named a Best Accounting Firm to Work For in the United States by Accounting Today twice. The firm was named an All-Star by Inside Public Accounting in 2006, 2007, and 2008, ranking McKonly & Asbury as one of the ten fastest growing accounting firms in the nation for 2006, and as an industry leader in management metrics for 2007 and 2008.

**IGAF POLARIS**  
A Global Association of Independent Firms

**BEST**  
ACCOUNTING  
**FIRMS** 08 09  
TO WORK FOR

**BEST PLACES** to work in **PA** 2011  
2003 • 2004 • 2005 • 2006 • 2007 • 2009

**INSIDE**Public  
Accounting  
All-Star Firm 2006, 2007 & 2008

Your Values, Your Family,  
Your Legacy



## Serving Families

*The **Private Client Services Group** specializes in helping families protect, enhance, and transfer their wealth and values. We see ourselves as your partner, working on your behalf to achieve your family's goals and objectives. We believe that wealth management requires a holistic approach, one in which we work alongside your other advisors to create solutions that work for you and your family.*

# Proactive Advising



Our PCS group recognizes that if we only talk to our clients when it is time to file their tax returns, we may miss many opportunities to incorporate tax planning strategies into their financial picture. With this in mind, we have created a process to ensure we meet with our clients outside of tax season so we can be proactive in advising our clients on their financial events.

**Research & Review:** During the summer months, our team will take a second look at your tax return keeping their eye out for tax planning strategies that may make sense for your financial situation. We use checklists and questionnaires that we have developed to ensure we consider all traditional strategies and recent legislative developments.

For example, we may notice that our client has a charitable inclination and is also taking distributions from their IRA. We might recommend considering contributions directly from their IRA to charity and possibly lowering their tax bracket.

For another client, we may notice they have passive losses from their business interests that they are not able to deduct due to passive loss limitations. For them, we may recommend making investments that will produce passive income so the losses can be deducted.

**Meet & Discuss:** Once we complete the review, we will meet with you to go over our findings and recommendations. This open discussion will help us become more familiar with your financial picture so we can advise you more effectively. We will also be sure to discuss current year activity and how that might change your tax position (i.e. new child, sold a rental property).

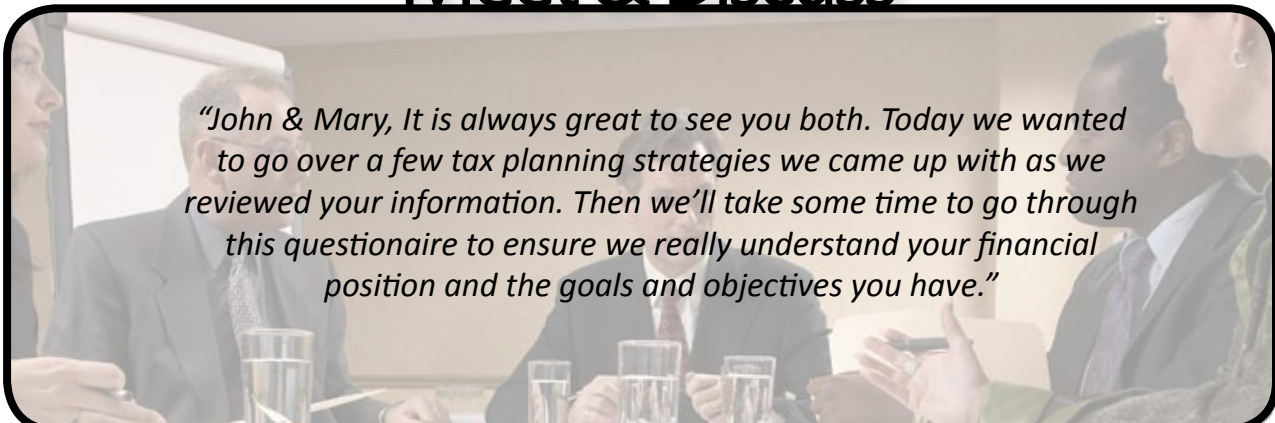
**Follow-Up & Implement:** Implementing your plan is just as important as coming up with the plan itself. Our team will follow up to recap our meeting and answer any outstanding questions that may have come up in our discussion. We will also work with you and your other advisors (i.e. attorneys, financial planners) to ensure that any necessary changes or adjustments are made.

Our **Proactive Advising** leads up to you having a team whose goal is not only to complete your tax return but also to help you accomplish your financial goals and objectives in the most efficient tax manner.

# Research & Review

	<u>Yes/No</u>	<u>Next Step</u>
Does this client have substantial passive losses carrying forward? <i>If Yes to the above question, have we discussed investments with this client that produce passive income?</i>	Y Y	Discuss with client at meeting/propose follow up with their financial planner.
Could this client benefit from a Roth IRA conversion in 2010?	N	
Does this client make large donations to charity? <i>If Yes to the above question, have we discussed advanced charitable planning techniques with this client?</i>	Y Y	Discussed with client at last year's meeting, will bring up again for client to consider.

## Meet & Discuss



*"John & Mary, It is always great to see you both. Today we wanted to go over a few tax planning strategies we came up with as we reviewed your information. Then we'll take some time to go through this questionnaire to ensure we really understand your financial position and the goals and objectives you have."*

## Follow-Up & Implement

Dear John & Mary,

Thanks again for meeting with us last week. As a follow up to our conversation, we wanted to highlight a few action steps that will help us implement some of the planning ideas we discussed.

1. We were able to confirm with your financial planner that we can sit in on your meeting on the 23rd. I look forward to discussing some investments that may allow you to utilize the passive losses as we discussed.
2. Attached please find a summary of a charitable remainder trust. This is one of the tools that may maximize the tax benefits of your charitable inclinations. Once you have looked through the information please call us with any questions.
3. We ran a tax projection with the updated financial information you provided us. We have attached the updated 4th quarter estimate vouchers, with preaddressed envelopes. Also, a summary of our projection is enclosed.
4. We are still waiting to hear from you regarding setting up an appointment with your attorney to review your will. We feel strongly that this exercise will be beneficial to you and your family. Please let us know if there is anything we can do to help this process move along.

# Sample Planning Document

## Charitable Remainder Annuity Trust for:

**John & Mary**

Donor: Client  
 Transfer: CRAT  
 Gift Date: 9/1/2009  
 Death Year: N/A  
 Duration: Term Only - Years: 10

Value of Transfer: \$500,000  
 Payout Rate: 10.00%  
 Use Discounts: N/A  
 AFR: 3.4%  
 Growth/Income: 5.00% / 0.00%

Donor makes a gift to a trust in return for an annuity interest based on the initial value of the trust for a specified term.

**Income Beneficiary**  
**Total Payments**  
 \$500,000

**CRAT in 2009**  
 \$500,000

Once the CRAT has been formed, the trust can make annuity payments based on the trust's initial value.

Payments to income beneficiaries.

Donor is entitled to a charitable tax deduction.

**Charitable Deduction**  
 \$82,065

**CRAT in 2019**  
 \$185,121

At the end of the trust term, the trust principal and adjusted value pass to the charity.

This flowchart helps to illustrate the overall flow of the Charitable Remainder Annuity Trust.

This flowchart illustrates the overall flow of a Charitable Remainder Annuity Trust. When the gift is made, the donor(s) will be entitled to a deduction for the actuarial value of the gift that will eventually pass to the charity.

If the gift is made during life, this deduction will be taken against the donor(s) taxable income for up to six years (subject to limitations on the maximum amount that can be deducted in any one year). Any income tax deduction not used within the six-year period will be lost. Gifts made at death are eligible for an estate tax deduction for the full amount of the value of the remainder interest.

In a typical case, the donor(s) will also be the income beneficiaries and receive payments from the trust as a percentage of the value of the trust each year. The trust can last for the lives of the income beneficiaries, or can be for a set term of up to 20 years.

At the end of the trust term, the property passes to the charity.

This report shows you a year-by-year view of the pertinent data for this charitable trust, including the value of the trust, the payments made, and the benefit to your family.

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 Growth/Income: 5.00% / 0.00%

Year	Value of Trust	Payment	Trust Growth	Ending Balance
2009	\$500,000	\$16,712	\$8,356	\$491,644
2010	491,644	50,000	24,582	466,226
2011	466,226	50,000	23,311	439,537
2012	439,537	50,000	21,977	411,514
2013	411,514	50,000	20,576	382,090
2014	382,090	50,000	19,104	351,194
2015	351,194	50,000	17,560	318,754
2016	318,754	50,000	15,938	284,692
2017	284,692	50,000	14,235	248,926
2018	248,926	50,000	12,446	211,373
2019	211,373	33,288	7,036	185,121
<b>Totals</b>		<b>\$500,000</b>		

This report shows you a year-by-year view of the pertinent data for this charitable gift, including the value of the trust, the payments made and the benefit to the family. If the gift is made on a date other than January 1st, the payment will be prorated for the first year.



# Private Client Services Group

McKonly & Asbury has served the needs of their individual tax clients for more than thirty years. Our team of experienced and dedicated professionals is committed to providing the highest level of advisory services to the area's families. As we continue to grow, our team members become more specialized in the areas in which they serve our clients. Recognizing this, we have formed the Private Client Services Group (PCS), which will continue to provide comprehensive wealth management services to our clients.

Our emphasis within the PCS Group is to make a more proactive effort to ensure that we understand your personal strategy and goals and that the services you are receiving most closely point you toward success in achieving them.

Our Private Client Services Group can assist you with:

#### **Financial**

- Tax Planning & Preparation
- Financial Planning
- Estate Planning
- Asset Protection

#### **Lifestyle**

- Family Meetings
- Overseeing Healthcare
- Family Financial Education

#### **Administrative**

- Bill Payment & Personal Bookkeeping
- Appointment Scheduling
- Other Convenience Services



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offices located in:

Camp Hill, PA  
Lancaster, PA  
Allentown, PA

[www.macpas.com](http://www.macpas.com)