

# The Business Owner<sup>®</sup>

## Estate Planning: An Overview

Your "estate" consists of everything you own. When you die, the things that you own – collectively referred to as your "estate" – are distributed to people that remain alive, specifically, your heirs at law or other beneficiaries such as charities or individuals. The process of gathering all your assets, valuing them, determining to whom they should be transferred, and getting them transferred can be time consuming, troublesome and costly. Some advanced planning, organization and action on your part can reduce the time, trouble and expense you leave behind. This type of advanced planning is called estate planning.

A book titled *Strictly Business*, by David Cahoon and Larry Gibbs, explains estate planning as saying, "I want to control my property while I am alive and well; plan for my loved ones and myself in the event of my disability; and then give what I have to whom I want, when I want, and the way I want; and do so at the lowest possible overall cost to myself and those I love."

*Strictly Business* also offers this definition, provided by Robert Esperti and Renno Peterson: "Estate planning is the creation and implementation of a plan that will care for you, your loved ones, and your property if you become disabled and that will provide an orderly transition of your property, including your business, upon your death, so that all or many of these transactions occur with a minimum of delay, court intervention, publicity, cost and taxes."

Sounds good, right? Start your own planning process today by doing the following.

Last Will and Testament (i.e. Will): A will is necessary for each and every person. You need one. A will is a written document that instructs who is to get which of your assets when you die. If you don't create one, state laws will dictate who gets what – and this process can be time consuming and costly. In addition to who gets what, stipulate in your will the person who should become guardian of your children in the event that you and your spouse leave minor children. This person will also oversee, as trustee, monies held in trust for your children. A will should also select who or what organization will act as executor (a.k.a. personal representative) of your estate. An executor is the person that will be in charge of making sure the provisions of your will are carried out after your death. A will cannot however, allow you to avoid probate. So, if you want privacy, you need a revocable living trust.

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### ALSO IN THIS ISSUE

#### Special Section: Estate Planning

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- Life And Estate Plan Checklist
- Planning Your Exit Strategy
- Living Will And Medical Power Of Attorney
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- Ask the Expert: Andy Wolow, Hall Estill

- **Tips From The Top:** D. Wayne Lukas, Lukas Racing
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- **Business Owner Survivor Spotlight:** Doug Bracken, Wiemann Iron Works
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- **Success Is The Inevitable Result**
- **Book Review: Good To Great By Jim Collins**
- **Eight Quick Ways To Stimulate Sales**
- **Reducing Problems With Employee Terminations**
- **Coming Up In The Business Owner**
- **Overcoming Jetlag**
- **Scam Alert: Home Mortgage**

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# From The Editor

You sure needed the summer get-away. Your family needed it as well. However, with summer now over, it's great to get back into a comfortable and productive routine. Need something to get you re-focused? Here it is ... eight months of 2005 have passed. Yes, it's time to make a hard run at finishing a year of progress and accomplishment.

When the holidays arrive it will be time to begin wrapping up projects and begin planning for 2006.

However, now it's time to find and pick the low hanging fruit. Read "Eight Quick Ways to Stimulate Sales" and get on with it.

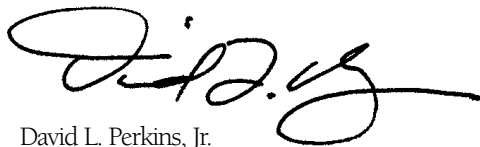
The cover article addresses an issue that does not generate revenue but must be done – estate planning. Add to this the topic of continuity planning for your business. These "to-do" items are tough ones because they don't make your phone ring or demand attention. To make progress, I suggest you engage a trusted estate-planning expert and delegate the task. Explain that getting you to accomplish the tasks by a certain date is his/her responsibility.

Additional must-read info in this issue includes a review of the compelling new book by Jim Collins – *Good to Great*. Read the review and then pick up a copy. That's not just a suggestion!

Our new, *Tips from the Top* article, features the management practices of legendary horse trainer D. Wayne Lukas. If there has ever been a guy that has earned great success through hard work and dedication, this is him. He calls us all to consider our own commitment.

There's more, so dive in. And, please call or email us with your comments, suggestions, questions and concerns. How can we know what you want us to cover if you don't let us know?

Sincerely,



David L. Perkins, Jr.  
Publisher and Editor



David L. Perkins, Jr.

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**TIPS FROM THE TOP**

# D. Wayne Lukas, Lukas Racing



**D. Wayne Lukas**

D. Wayne Lukas grew up in a very small town in Wisconsin. His grade school class had two – him and one other. He dreamed of being a basketball coach. He also dreamed of owning and racing a horse that would win a local pari-mutual. He became a school teacher and basketball coach, and later decided to try his hand at training horses. He soon raised his aspirations to winning a triple-crown race. One hundred fifty thousand hours of work later, he reached his goal. Many wins would follow, and today he is the winningest horse trainer of all time – 13 Triple Crown wins; 17 Breeder's Cup wins; 14 times named U.S. trainer of the year; and \$250 million in lifetime winnings, more than double any other trainer in history.

Make no mistake – horse training and racing is a business just as any other. Lukas Racing started with one client, one horse and very little else. Let's take a look into the man and his business, and into the philosophies that have allowed him to change and dominate an entire industry.

**The Business of Horse Training.** Lukas Racing is in the business of training thoroughbred race horses. Lukas' customers are owners of horses – typically wealthy individuals who invest in race horses for the fun, prestige and profit. Horse trainers, like Lukas, make money by getting hired to train horses. They are paid a daily fee for managing, feeding, sheltering, caring for, training and racing the assets pledged to their care. Trainers, such as Lukas, also typically get a cut of purses won.

**Bucking the Status Quo:** Noteworthy success is typically found by doing things a little different – by finding a better way and cutting a new path. The Lukas Racing story is no different. As Lukas struggled to differentiate his offering and give owners compelling reasons to hire him, he kept things simple (one of his primary tenets). His clients simply wanted to hire the trainer that would win races. Lukas noticed that trainers tended to enter their horses in local or regional races only, rarely transporting their horses to compete in races held far away. He lamented that at times a horse of his would be outclassed in a local race but would have far better odds in an out-of-region race. For example, he'd have a sprinter but the local race would be an endurance test. Why not simply transport the horse to a place and race at which it could win? Take that sprinter to a sprinter's race. Painfully simple, yes, but (unbelievably) such was not the common practice of the time.

And so it began. By discontinuing the practice of blindly entering horses in local races – regardless of ability to place in the money – Lukas began to tactically rationalize his stable of horses across races in which they were most competitive. The result was a winning percentage and purse yield that caught the attention of everyone.

**Building and Continually Fortifying a Competitive Advantage.** Lukas found a way to win (a competitive advantage) – in being willing to transport his horses over long distances so that they could run in races that matched their abilities. The result was more wins and more purse

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# Win The Marketing Game: Be Proactive Or Perish

The game of marketing has changed. That's because the way consumers gather information and make purchasing decisions today is completely different than it was just 10 years ago. No longer are newspaper and magazine ads, yellow pages, radio and TV the primary ways people learn about products. New media has arrived and thrived, such as the internet, email, cell phones and personal digital assistants.

The volume of advertising pitches has exploded as well, in both traditional and electronic media. Technology has enabled the detailed tracking of consumer buying habits so that lists can be assembled for a very narrow target-market segment. Printing technology now enables mass mailings to be personalized – addressed to you by first name with information specific to your buying habits.

Similarly, television has become a much more targeted medium. There are now hundreds of channels with niche audiences such as Home and Garden, Arts and Entertainment, BET and Disney.

The question now is, "How do you make your company stand out amid all the noise and clutter?" Think about your own buying habits. How do you make your purchasing decisions today?

Two key factors are emerging. The first is "Experiential Marketing" – paying attention to every aspect of the experience your customer has with your company. The other is "Viral" or "Guerilla Marketing" – using Internet or interpersonal word-of-mouth to create "buzz" about your product.

## **Experiential Marketing**

Experiential marketing is the process of exposing consumers to an environment where they experience your product or service in a positive way. It's about building an emotional connection with your customer through shared values. It's about creating memories – creating a social experience around your brand.

The successful brand experience can operate on multiple levels – environmental, alternate channels, auxiliary products and services. For example, the Starbucks experience is not just about the coffee, it's about the environment. It transformed the mere activity of drinking coffee into a total lifestyle experience and raised the amount most people are willing to pay for a cup of coffee. The Disney experience is defined by the theme parks, but children of all ages can get the Disney experience in theme

stores as well. Harley Davidson fans can buy all paraphernalia that identify them as part of the "club."

Proactive customer service can increase customer loyalty as well. Imagine those companies that look out for your best interests as a customer. Wouldn't you rather deal with a credit card company that calls you about unusual activity? A bank that knows when you've mixed up your mortgage and equity line payments and calls you to straighten it out?

Another aspect of experiential marketing is live events where consumers interact with products, brands or "brand ambassadors" face-to-face. By creating experiential zones – in your store, at public events or online – you can place customers in a comfortable, home-like environment to experience your brand.

## **Viral Marketing**

Viral marketing describes any strategy that encourages individuals to pass on a marketing message to others. Like a pathogenic virus, it has the potential for exponential growth in the message's exposure and influence.

Interpersonally, viral marketing is done through word-of-mouth. The goal is to create a "buzz" around your product or service that gets people talking. Social scientists say that each person has eight to 12 people in their close network of friends and family. Their broader network may include hundreds. Getting people to spread your message through their network is an inexpensive and extremely effective way to get your message out.

Web-based implementations of "word of mouth" are numerous and powerful – and usually inexpensive. The most common forms are newsgroups and blogs. Every time your company is mentioned in a newsgroup or on a blog, it's a potential touch point between your customers and you. And when those touch points include a URL, that's an additional door to your website.

Most important in viral marketing is to maintain credibility. For your words to carry weight with your audience you must make sure that people have a positive experience of your brand. Understate your brand promise and over deliver. Consumers will be turned off by brand experiences that don't deliver what they promise.

## **How do you create buzz?**

Most viral marketing programs give away valuable products or services to attract attention. Viral marketers practice delayed gratification. They may not profit today, or tomorrow, but by creating a groundswell of interest from something free they can attract eyeballs that will consider buying their other products.

Be different. Don't just mimic the tactic of your closest competitor. Look at other industries to get ideas for creative programs. Clever viral marketing plans take advantage of

*continued on next page*

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*Password for September 1 through October 31: Value*

**Win the Marketing Game: Be Proactive or Perish, continued from previous page**

common human desires and emotions—the desire to “be cool,” for example. People pay hundreds of dollars for the latest variation of the blue jean, simply to be part of the “in” crowd.

Make sure that your “virus” is easy to transmit. If it’s not, it won’t replicate. Make sure your message is simple, easy to remember and easy to repeat. Effective viral marketing plans use others’ resources to get the word out. Place links on others’ websites. Position articles in others’ publications or on others’ web sites.

**Be Proactive**

In this complex new world of lightening-fast change, communication and information, you must be proactive. Unless you have all the customers you want, don’t rely on what you’ve been doing for the past 10 years. Try new things. Try something different. When everyone else is shouting, perhaps it’s best to whisper. To get seen amid the clutter, keep it simple. Most of all, make it memorable. Make it interesting. Make an emotional connection that will keep your customers coming back. □

*This article is the ninth of a nine-part article series on branding called The ABC’s of Small Business Marketing. It is written jointly by David L. Perkins, Jr. and Jean Wilcox. Ms. Wilcox (jwilcox@cattlelogos.com) is a partner in CattleLogos Brand Management Systems, LLC and co-author of Abullard’s ABC’s of Branding.*

May-June ‘04 Issue: *Your Marketing Message: Back to the Drawing Board*

Jul-Aug ‘04 Issue: *Avoid Marketing Mayhem: Establish Your Brand Vision*

Sept-Oct ‘04 Issue: *Logo and Look: Selecting the Visual Elements that Support Your Brand Vision*

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Mar-Apr ‘05 Issue: *Marketing for Dummies? Build in Quality Control*

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July-Aug ‘05: *Creative Creatures: Working with Marketing, PR and Ad Professionals*

> This issue: *Win the Marketing Game: Be Proactive or Perish*

**“Take time to deliberate; but when the time for action arrives, stop thinking and go in.”**

*Andrew Jackson*

**Web Resources**

[www.YellowPiePlate.umn.edu](http://www.YellowPiePlate.umn.edu)

University of Minnesota’s guide to passing on personal possessions, such as “grandma’s yellow pie plate”. Articles, stories, workbook and more.

[www.AARP.org/estate\\_planning](http://www.AARP.org/estate_planning)

Tips on writing wills, medical directives, estate planning and just about everything else that could “enhance quality of life as we age”. AARP, with over 35 million members, is for persons 50 and older.

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

Estate planning lawyers Les Kotzer and Barry Fish offer resources, tips and real-life horror stories. One visitor wrote “It never dawned on me how easily a family can be shattered over a piece of crystal until I experienced it first hand.”

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

A listing of “some of the most famous or infamous scams and schemes designed to separate consumers from their money”. In addition to the Scams Hall of Fame, there’s advice on how to check out that “business opportunity”.

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

Home of the Rip-off Report™ – a worldwide consumer reporting website and publication, by consumers, for consumers, to file and document complaints about companies or individuals who rip-off consumers.

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  - Market Value
  - Book Value
  - Tangible Book Value
  - Replacement Value
  - Future Value
  - Adjusted Value
  - Pay-Back Period
  - Going Concern Value
  - Fair Market Value
  - Liquidation Value



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Written by David L. Perkins, Jr., of *The Business Owner*.

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# Doug Bracken, Wiemann Iron Works



Doug Bracken

In 1940, German immigrant Ernest Wiemann incorporated and opened the doors to Wiemann Ironworks in Tulsa, Oklahoma. Along the way he picked up willing workers and learned the trade of ornamental metalwork.

Now with 15 employees, Wiemann Ironworks manufactures very high-end, meticulously detailed ornamental metalwork in bronze, aluminum and iron. It services clients across the nation. "We have a nice mix of high-end residential, commercial, government and church work. All of our customers want very high-quality ornamental metalwork," said Doug Bracken, current co-owner.

"I worked for Ernest as a project manager and draftsman," said Bracken. "When he was ready to retire, I was there. I knew the operations, customers and workforce. Somehow I managed to drag my brother and father into the business and we kept the well-established name."

It may have been Doug's brainchild to buy this business, but it has been a family affair. Bracken said the smartest thing he did was to bring his family into the business and utilize their experience. "My brother, David, is my business partner and vice president," explained Bracken. "He handles the business transactions. My father, Gary, retired from his previous occupation, a pipeline construction engineer and executive, a year after we bought the business. He has shared his wealth of business experience and knowledge with us. My degree is in architecture and I am more comfortable with sales, marketing and design."

The transition was not easy. "When we purchased the business, Dave and I worked 70 to 80 hours a week," said Bracken. "Even my wife, Ashley, was down here trying to help sort out things. As the years have passed, we've reduced our workweek to a manageable 45-50 hours."

Wiemann lost many employees after the purchase, in fact, nearly all of them. "We've had almost 100 percent turnover in the shop," said Bracken. "We lost a lot of sleep, but we managed to replace the employees with craftsmen who now provide us with a wider range of capabilities. Once again, a real challenge turned into a blessing," he continued.

"I firmly believe that a better product can be produced (and more fun had) with a group of motivated employees with average talent than with a group of superstar individuals who don't work well as a team," Bracken explained.

With its new team of workers, Wiemann Ironworks has turned out some very special projects. Each job is customized and every day brings a new set of challenges. For example, a client recently called wanting replicas made of ornate, cast bronze doors found in an old New York hotel. The client flew Bracken to New York and, standing in the lobby of the hotel, said, "I want doors just like this for my home theatre." Bracken says they recently installed the replica doors. "They look great and our team had a lot of fun," he said.

Bracken likes *The Business Owner* because it provides a good range of topics about things that affect businesses. He may not get something from every article but he does get something from every issue. Something that helps him in his effort to grow a successful business.

Bracken and his coworkers are well on their way and Bracken says they have turned a good business into a great one. "On a scale of 1 to 10, it's a 9 now ... and we're heading for 10." □

*Doug Bracken is president of The National Ornamental and Miscellaneous Metals Association (NOMMA), which provides a copy of The Business Owner to each member. Mr. Bracken also serves on the board of the Metal Museum in Memphis, TN.*

## About the Publisher



David L. Perkins, Jr. owns, writes, edits and publishes *The Business Owner*, the newsletter of choice for more than 25,000 business owner subscribers that are serious about building wealth through

successful private business ownership.

Mr. Perkins draws editorial ideas and inspiration from his daily work as a merger and acquisitions consultant, where he has advised on more than 100 purchase/sale transactions involving both private and public companies. His M&A consulting firm is Vercor, which has eight U.S. offices and a European affiliate office. Vercor specializes in sell-side representation of businesses valued between \$2 million and \$75 million (see [www.VercorAdvisor.com](http://www.VercorAdvisor.com)).

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David L. Perkins, Jr. is the author of [A Concise Overview of Business Valuation](#) and co-author of [The Business Sale, An Owner's Most Perilous Expedition](#). Both may be purchased at [www.TheBusinessOwner.com](http://www.TheBusinessOwner.com).

Mr. Perkins is a professionally trained, content-rich platform speaker available for both keynote and breakout sessions. In-demand topics include

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**"Accept the challenges so you can feel the exhilaration of victory."**

*General George S. Patton*

# Executive Coaching: Getting The Most For Your Coaching Dollar

You are wasting your time if your motivation for coaching is that someone else thinks it's a good idea. The only reason to embark on a coaching program is because YOU have CHOSEN to do it, based on a clear choice to raise the bar on your performance for a compelling enough reason that you are motivated to take action. Any other reason will not work and will undermine the best of intentions.

**Define Your Mission:** Coaching is successful *only* if you and your coach know exactly *where* you are going, *why* you are going there, and you have a *blueprint* for how to achieve success. If your coach can't help you define your mission, you have cause for concern. Keep in mind that the coach is responsible for the "process". You are responsible for getting the most out of coaching by "taking the action" required to meet the goal.

**Specify Desired Outcomes:** Change begins in the imagination not in perspiration. Before you embark on an overly ambitious change program, develop a vivid picture of where you want to be, what you want to look like and what specifically will be happening inside and outside of you that will let you know you have achieved those changes.

**Fearless Inquiry:** Accurate self-assessment happens when we are willing to be rigorously honest with "what is" right now ... devoid of spin and rationalization. Ask the tough questions: Who am I? Am I living up to my potential? Where can I improve? What needs to change and why?

**Identify Your Performance Gap:** Don't begin with the idea that you are broken and need to be fixed. That's antiquated psychobabble designed to keep the psychiatric community in business! Ask instead: What's missing between where I am today and where I want to be in the future? What steps could I take to begin to bridge the gap?

**Design a Plan of Action:** Successful change lives in a plan for how it is going to occur. Speculation and intention are just that – psychological musings divorced from the world of execution and behavior change. If you don't have a plan for where you are going, it's like going into war without a clear plan for success. I wouldn't sign up for that mission!

**Be Prepared for each Coaching Appointment.** Coaching is about you

and/or your team doing the work of creating change. Coaching is not an inexpensive investment and can be powerful in creating positive change. Never waste a moment of your time or the coach's time. If your coach allows the time to be squandered, find a new coach who is more results oriented. Take notes during each coaching session and write down your "to-do's". Then, get them done and report the progress to your coach.

**Specify an Exit Strategy:** Coaching is a professional service that warrants a healthy fee. Such activities should be regulated by value, that is, a measurable change in the client's condition (you), and a time parameter specifying when the service will no longer be needed. Decide before you go in when and how you are going to get out.

**Measure Your Progress:** Keep track of where you began, how and what change occurred and what needs to happen to sustain it in the future. Measure success in qualitative and quantitative measures. It's worth the time and energy and it demystifies the change process. It lets you know that the changes that have occurred are substantive and not spin.

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## Success Is The Inevitable Result

Your success as a business owner will be inevitable when your daily decisions are good ones. "Good", meaning they add incrementally to:

- adding and growing profitable revenue (present or future)
- lowering indirect and direct cost (present or future)
- improving durability, sustainability, efficiency, growth and growth capacity

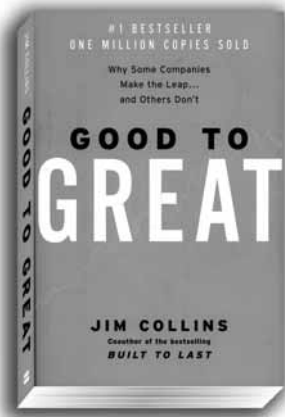
In this way, you build your company ... or tear it down ... one decision at a time, day in and day out. How quickly you find success ... and the degree of success ... can theoretically be attributed to the ratio of "good" vs. "bad" decisions. Clearly, a company whose owner and team are making 95% good decisions and just 5% that erode value will succeed much more readily than the team that has a 55%/45% ratio.

So, how does a business owner, and a business, increase the percent of good decisions and minimize the bad decisions? By keeping vigilant, every-day focus on:

1. What narrow customers and/or market(s) you serve, and can serve, with great passion and success (for both you and the client)
2. Every decision must either add profitable revenue in both the short and long term or strengthen your ability to capture and book profitable revenue in the future.
3. Reality – the brutal truth about your strengths, weaknesses, opportunities and threats.
4. A successful future can only be built by taking swift and decisive daily action, and by becoming great at learning from both success and failure. □

# Book Review: Good To Great By Jim Collins

How does a company achieve lasting success? Is it simply a matter of being blessed by circumstance – maybe like Microsoft – of being at the right place at the right time? Is it a matter of having the right connections or relationships? Maybe it is a matter of leadership. Get the right leader on board and great things will happen.



Jim Collins set out to answer these questions. His approach was unique, interesting and compelling. In his first book, the renowned *Built to Last*, Collins profiled great, enduring companies and revealed how over time, these companies achieved their sustained success. But many argued that these companies were born into greatness. How then, can we learn from them if our task is to take our company from mediocrity to greatness?

To address these claims, Collins devised a study that would address this issue head-on. He would study companies that logged year upon year of dismal performance and then, suddenly, began overachieving year in and year out. If he could find such companies, he would try to find out what enabled the change. What did these companies begin doing, or stop doing, that made the metamorphosis possible?

In short, Collins did, indeed, find companies that made such a transformation. He studied them and found remarkable similarities. The results are published in *Good to Great*, and I agree with the mainstream press – it's a "must read."

To begin, Collins and his team established qualifying criteria. To qualify for the study, a company had to meet the following requirements:

- It must be publicly traded (so that good data was available).
- It must have 15 years of cumulative stock returns at or below the general market followed by 15 years in which the cumulative return was at least three times the overall market.
- If a company met the first two criteria, it was eliminated if the improved performance could be attributed to the industry. In other words, if the industry in which an initial qualifier occupied outperformed the overall market, the company was disqualified.

Only 11 companies met the criteria – Abbott, Circuit City, Fannie Mae, Gillette, Kimberly-Clark, Kroger, Nucor, Philip Morris, Pitney Bowes, Walgreens and Wells Fargo. A comprehensive study of each company ensued to determine what changes enabled the transition. Sources included articles, studies, public filings, executive interviews and any other source that might offer insight. Once every company was studied and its information gathered, the team huddled to discuss the findings. Here is what they found:

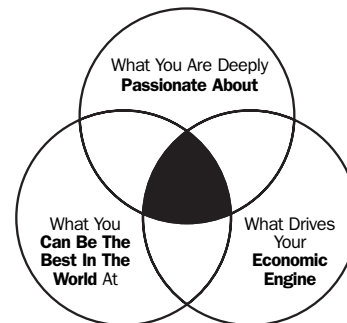
**Qualities of the Leader:** The good-to-great companies were all led, through transition, by the antithesis of what we have come to see as the enlightened leader. In fact, Collins concluded that larger-than-life celebrity leaders who ride in from the outside are negatively correlated with taking a company from good to great. 10 of the 11 transition CEOs came from within the company and all were quiet, reserved, self-effacing and seemingly lacking heroism.

**Get the Right People on the Bus (and the wrong ones off):** Collins found that good-to-great transitions began not with a new strategy or vision set by the leader, but by "getting the wrong people off the bus and the right people on the bus." Get the right players on board and they will set a course for success.

**A "Face the Brutal Truth" Culture:** To go from good to great, things must change. One is that the organization must begin to address reality, every day and in every place, and then develop a realistic strategy that will enable success. Critical is that reality must be faced in all its brutality and humility, but there must also be unwavering faith that success will be found and sustained.

**The Hedgehog Concept:** In summary, a company cannot achieve greatness without being the best in the world at something. To find out what you can be the best in the world at, utilize what Collins calls the "Three Circles":

## Three Circles Of The Hedgehog Concept



**Culture of Discipline:** "All companies have a culture, some have discipline, but few companies have a *culture of discipline*. When you have disciplined people you don't need hierarchy. When you have disciplined thought, you don't need bureaucracy. When you have disciplined action, you don't need excessive controls. When you combine a culture of discipline with an ethic of entrepreneurship you get the magical alchemy of great performance."

**Type of Compensation:** There appeared to be no correlation between the type of compensation and performance. In other words, Collins did not find that the high-performing companies tended to use stock or stock options as incentive, as has been the conventional wisdom of many.

**Strategic Planning:** Collins did not find that the good-to-great companies spent more time on long-range planning. He did find that the winners tended to spend as much time deciding what not to do, or stop doing, as they did on what to do.

*continued on next page*

# Eight Quick Ways To Stimulate Sales

Every successful business, large or small, has one thing in common. They want to book more business ... especially during slow times. So let's look at proven methods that will likely give your business a shot in the revenue arm. These certainly aren't new ideas, but they've been road tested in countless applications and have proved to have lasting appeal.

## 1. The Gift Voucher

The aim of this strategy is to add to your customer base by getting existing customers to introduce new ones to you. It's especially useful in the lead up to a gift giving time, such as Christmas. Offer existing customers the chance to buy a gift voucher at a discounted rate. For example, "Give your friends a \$50 gift voucher for Christmas – yours for just \$40." It means giving a bigger discount, but it also gets new customers into your business. For business-to-business sales, make it a "refer a new customer to us and get 40% off your next order," or something similar.

## 2. The Market Research Survey

You can never know too much about your customers, so work up a questionnaire that will give you information you can use for future marketing. Ask for details that will help you fulfill their needs more effectively. To encourage their responses and maybe make some sales, send it to your customer base with an accompanying certificate, product list and a discount offer. Everyone completing the questionnaire and returning it with an order will receive a discount (the value on the certificate) off the usual price of the products ordered.

## 3. The "10% Off Everything" Sale

Offer your customers a flat percentage discount on everything they buy for a limited time only. Make it a condition that they bring the communications piece with them when they make their purchase. Don't promote the discount at the point of sale; this is a restricted offer and you want it to be seen that way.

## 4. The Package Deal

This is a simple one. Take product A and product B and offer them together for a price that is less than if the two were purchased separately. The real genius comes when you're selecting the products. If you have a slow mover, combine it with something that's "hot" and offer the two as a package deal. Promote it by stressing the savings. It's even better if the two are related – a pen and box of fancy paper, for example. Give it a name like "Our Desktop Special".

## 5. The Bonus Offer

Package an expensive item with a bonus lower priced item and promote them for the usual price of the expensive item. This is a good way to get rid of slow moving items. Once again, look for a relationship between the two products and try to find a catchy name for the bonus deal. Your creativity will go a long way in the "Package deal" or the "Bonus offer." Instead of simply listing two existing benefits, brainstorm for benefits that only exist by owning the package.

## 6. The "Off Of Hours" Sale

"By Invitation Only" reads the promotional piece and it's announcing a sale for regular customers only, outside of normal trading hours. If you deal in seasonal stock this is a good way to move it out at the end of the season. You can offer a flat discount on everything, plus a special discount on "selected" items that you're especially anxious to move.

## 7. Advise Customers on How to Use Your Products

Many products have more than one use. Kleenex tissues can be found in almost every home today and they're the first thing you think of when you have a head cold. But, they were first marketed only as a way to remove makeup. It wasn't until a market research survey found that, people were buying them to blow their noses into that manufacturer Kimberly-Clark woke up to how they should really be promoted.

Whenever you market the products you sell, be sure to tell prospects about all the ways they can be used. There are over 2,000 uses for WD-40, for example. Do a bit of investigation into the products you are marketing and you could find that sales can be increased simply by telling customers about all the possible ways to use them. It's a great idea for point of sale promotions.

## 8. Call Former Prospects and Customers

This is the "no-brainer" of "no-brainers," especially for business-to-business or professional sales. Contact the prospects that inquired but never did buy six months, a year or two years ago. You are bound to get a few that say "I can't believe your timing!" Also, call some of the customers that have not bought from you in a while. If they left you for another, it is likely that by now they've realized that the grass is not always greener. Call and invite them back. □

*This article was adapted from one that appeared in the *Wanatchee Business Journal* by a Rene Zamora, a business consultant for McQuaig and Welk, PC.*

## MANAGEMENT

**Book Review: *Good to Great* by Jim Collins, continued from previous page**

**Technology:** There was no correlation between the adoption or use of technology and transition from good to great. Collins concluded that technology could be used to accelerate a transformation, but it was never the cause of a transformation.

**Acquisitions:** Acquiring or merging with other companies did not play a role in any transition from good to great.

**Signals and Single Events:** None of the good-to-great companies had a new name, tag line, launch event or "program" to signify the beginning of the transition. None that sustained long-term success did so by a single lucky break, breakthrough development or sure-fire leader. It occurred, rather, one step after another – quietly, over time. □

# Reducing Problems With Employee Terminations

To reduce problems during employee terminations, employers should carefully review their policies on performance appraisals, discipline, and employee terminations and consider taking the following:

1. Include on job applications a notice that only written representations and promises of the employer will be enforceable.
2. Be sure the job description covers all the tasks the employee will be expected to perform. A worker dismissed for an inability to perform a task not listed in the job description may be able to file a wrongful discharge claim.
3. Add an at-will policy statement to all employee handbooks, and delete anything that makes it sound as if the company has limited its rights to discharge.
4. Warn supervisors and managers not to give oral assurances of job security to applicants or employees.
5. Try to ensure that performance appraisals are candid. Managers should avoid ambiguous, satisfactory-sounding reviews that would not support the employer's position in the event of a subsequent wrongful discharge suit.
6. Whenever an unsatisfactory employee appraisal is inconsistent with earlier evaluations, management should investigate the matter and include a written report of the review in the employee's personnel file.
7. Establish and apply uniform, progressive disciplinary standards to avoid charges of discriminatory treatment.
8. Make sure that supervisors handle performance appraisals objectively so that problems are identified and remedial actions and timetables are specified.
9. Employees should be required to read and sign written performance appraisals and be allowed to add their own comments. This step establishes a clear record that will be hard to deny or dispute if the appraisal is questioned in the future.
10. Make sure complaint resolution procedures are credible and work properly. This is one of the most effective ways to prevent wrongful discharge lawsuits because it provides opportunities to correct misperceptions and to rectify mistakes internally.
11. Train supervisors to record all significant employee problems so that subsequent discipline or discharge actions are documented and can be justified.
12. Require supervisors to avoid spur of the moment terminations when emotions may be out of control. Utilize suspensions to provide time for investigations, documentation and careful analysis.
13. Provide for internal review of all termination decisions before implementation. The reviewing person or persons should be experienced in making employment decisions and understand employment law. This process can provide an objective review of the documentation and steps leading to termination and can help assure that the process is being administered fairly and consistently and that the termination action fits the circumstances.
14. Conduct the termination notification privately and have at least two members of management present. Have a written termination statement that is carefully and accurately written so as to minimize allegations of defamation or intentional infliction of emotional distress. Give the employee the opportunity to review, comment on, and sign the statement and if the employee refuses to sign it, make a note of that fact.
15. Make sure any termination is discussed only with persons on a need to know basis to limit the potential for claims of defamation, invasion of privacy and emotional distress.
16. Consider negotiating with the terminating employee a general release of all claims relating to the employment relationship. Such an agreement may be appropriate in situations where there is a high probability that the employee will take legal action because of the termination. However, if one is used, it should be drawn by legal counsel experienced in this type of document, as there are a number of elements that need to be included. There may be certain circumstances where such agreements are not appropriate.
17. Conduct exit interviews and inform workers of the specific reasons for a termination. Exit interviews can be used to correct misperceptions about the termination and to uncover and defuse a potentially litigious situation. Outplacement counseling is also useful.
18. If you feel you should call your lawyer – DO! ❑

*This article was provided by Mike Lissau, an employment law expert with Hall Estill. He can be reached at [mlissau@hallestill.com](mailto:mlissau@hallestill.com).*

## PROFESSIONAL DEVELOPMENT

**Executive Coaching: Getting The Most For Your Coaching Dollar, continued from page 7**

*This is the third article in a series on Coaching.*

May-June '05 issue: *Executive Coach: Nonsense or Dollars and Cents?*

July-Aug '05 issue: *Selecting the Right Coach*

> This issue: *Executive Coaching: Getting the Most for Your Coaching Dollar*

Nov-Dec '05 issue: *Group Coaching*

Jan-Feb '06 issue: *Business Owner as Coach*

*The following professionals contributed their expertise to this article:*

*Dr. Jay Kent-Ferraro, Empowerment Technologies.*

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*Phil Glenn, Chairman of the CEO College. Philtpf@cox.net. ❑*

**D. Wayne Lukas, Lukas Racing, continued from page 3**

money. More and better customers followed and profits surged. But as competing trainers figured out the Lukas strategy and began to emulate it, the competitive advantage and profit windfall come under siege. Unsatisfied with short-term success, however, and incredibly disciplined, Lukas resisted the temptation to squander the newfound monies on luxury items. Instead, he invested his early profits back into his business – upgrading facilities, personnel and programs that would contribute to race wins in a manner that would be much harder for his competitors to emulate. The strategy has worked amazingly well.

**Find Persons and Horses, with God-Given Talent:**

In selecting winning horses and people, you need an eye for spotting God-given talent. Once you have someone with natural ability, the task is to give him what he needs to get him to the winner's circle.

**Great Training and Managing, Comes from a Deep Knowledge of the Subject:** Every horse and person, has unique strengths, weaknesses, tendencies and sensitivities. The only way to draw out top performance is to get to know, in a very deep way, the subject's unique characteristics and, with that knowledge:

- a. Design a training program to which the talent will best respond, and
- b. Place the talent in positions that enable their unique skills to shine and their weaknesses to be least damaging.

So the key is to spend a lot of time with your human or equine talent, observing and looking for clues to what makes him tick. Lukas says he can spot even minute changes in his horses, such as a few pounds gained or lost or subtle changes in disposition.

**Mind over Matter:** “The mental state is three-to-one more important than the physical state,” says Lukas. Both people and horse are complex and sensitive creatures. They react to every stimulus, positively or negatively. And when bad things happen, the detrimental affects tend to stick around much longer than the effects of the positive. He says, “One of the things that we tell our people is ‘never take the try out of the horse.’ If he loses the try, the joy of participating and competing, you’re in trouble. Yet, you still have to bear down on him to the point that he’s fit enough to go a mile and a quarter. So therein lies the problem.”

**Leading by Example:** “You, the leader, must set the example. There is absolutely no excuse for being outworked,” Lukas imposes. He says he has only missed seven days of work in the past 14 years, and that includes holidays and weekends! Pretty impressive for anyone, and Lukas is 69. He continues, “To succeed, you have to be right in the middle of the deal. You have to be very, very intense and involved. For those people who don’t succeed the thing that usually undoes them is that they can’t handle 365- days-a-year, 18-hour days.”

**Staying Informed And Being “On The Job”:** Lukas Racing has 90 employees, five of whom report directly to Lukas. “Each of them has to call me between 4 a.m. and 5 a.m. each day, again

between 11 a.m. and 1 p.m. and again right before they lay their head down to sleep,” says Lukas. “I don’t want any surprises and I want to know what is going on.”

**Don’t be afraid to lose. People miss the passion and fun by playing it safe. The greatest experiences I’ve ever had have been running a horse in a race we had no business being in – and winning!**

**Demanding Excellence:** “People crave discipline,” says Lukas. “They want to be dedicated and focused. Require that of them and they will learn to love you for it.” Lukas accommodates this need by demanding discipline and excellence in every facet of Lukas Racing. The barns must be perfect at all times, as do the clothes of every employee. He demands that everyone write neatly, speak clearly and answer the telephone in just the right way. He says, “We keep everything spotless, not because it will make our horses run faster but because that discipline will carry over into the things that DO matter.”

**Find out What Drives Your Economic Engine:** Lukas says he’s actually never made any money by training and racing horses. He says it’s really tough to get enough in training fees and purse percentages to cover his substantial costs. He figured out, however, that the money is in the stud fees. Train a winner and the stud fees are where the big money is. “We could have tried to really increase what we charge to train horses, but we decided to offer a compelling value proposition to the horse owners. When we get the best talent and train them to be winners, we make money on the back end. A lot of money.”

**Additional Quotes from D. Wayne Lukas:**

- “I ask my employees to, when they see a problem, give it to me straight. I want to hear the bad news first and then the solution you propose.”
- “Praise performance, give credit and share the rewards of success.”
- “Always ask why. I want my employees to learn how to think. If they just do as they’re told, they won’t learn why. They must question, ask questions and learn the answers.”
- “I had an employee call me and say he couldn’t sleep for worrying about what he might have forgotten, what he needs to do and where he’s supposed to be. I said, ‘Perfect, you’re coming along just fine’.”
- “I like to kick their ass whenever I can. I go after them every day—and I like to keep score, too, because that’s what motivates me.”
- “Being born a man or a woman is a chance. Being a man or a woman is a choice.”
- “Take the tension out. Tension drains performance, in humans and horses. Have fun and be loose.”
- “I tell my new hires, ‘Don’t buy a new set of clothes because you’ll be a size smaller in 30 days’.”
- “Just because you win doesn’t make you a winner; and just because you lose doesn’t make you a loser – It’s how you prepare and dedicate yourself, how much you improve.”
- “We’ve never been real interested in the status quo, just interested in winning.” □

This article was written from discussions with Mr. Lukas, notes from his keynote address to the Newsletter and Electronic Publishers Association (NEPA), and an article that appeared in the May 2004 issue of the Harvard Business Review.

# Estate Taxes And The Estate Plan

"Estate tax" is a tax levied, at the time of your death, on the total value of your possessions. Affectionately referred to as a death tax, the estate tax was enacted as a way to redistribute wealth and avoid the undesirable concentration of excessive wealth within a few families.

In 2005, "excessive wealth" starts at \$1.5 million. So, if the value of your taxable estate (gross estate minus certain deductions) is under \$1.5 million and you die in 2005, there will be no federal estate tax due on your estate. In 2006, the threshold is raised to \$2 million, and then it's \$3.5 million in 2009. Current law calls for the estate tax to be eliminated in 2010 (no tax will be due for anyone that dies in 2010). From the year 2011 forward, estate tax will be assessed at the \$1 million mark. Yes, truth is once again stranger than fiction. Congress is expected to re-visit the current law in the coming years.

**How much is the estate tax?** The IRS levies, upon your death, an estate tax on every dollar in value that your estate exceeds (at the time of your death) the exemption threshold in place for the year of your death (\$1.5 million in 2005). Currently, the estate rate begins at 18 percent. The tax percentage (rate) increases steadily as the value of your estate rises beyond the exemption threshold until it hits 47 percent at the \$2 million mark. In other words, once the value of the taxable portion of your estate hits \$2 million (for 2005 that's a total estate value of \$3.5 million), the tax rate becomes 47 percent. For every additional dollar in value, you'll have to give 47 cents to the federal government.

Following with the above example, a \$3.5 million estate in 2005 (with \$2 million over the exemption threshold) would owe a total tax bill of \$780,800. The effective tax rate would be 22 percent.

In addition to federal estate tax, there can also be a state estate tax. Check with your local advisor for details.

**Unlimited Marital Deduction:** Under federal tax law and most state tax laws, spouses can make gifts to each other during their life or at death with no tax liability. So, if you wish, all of your assets may pass to your surviving spouse, upon your death, completely free of estate taxes.

**Who Can Help You With Your Estate Planning?**

The field of estate planning is complex. There are professionals that specialize in assisting business owners and wealthy individuals in estate planning. It is best to use both an experienced tax attorney and a knowledgeable financial planner. □

**"History does not long entrust the care of freedom to the weak or the timid."**

*General Dwight D. Eisenhower*

# Life And Estate Plan Checklist

- I have made legal arrangements to appoint the fiduciaries of my own choosing to make my personal health care and financial decisions should I ever become incapacitated.
  - Yes
  - No
  - Don't Know
- I have made legal arrangements to appoint back-up parents for my minor children should they ever be orphaned.
  - Yes
  - No
  - Don't Know
- I have made legal arrangements to protect my inheritance for and from my heirs.
  - Yes
  - No
  - Don't Know
- I have made legal arrangements to provide for my spouse and for my children from a prior marriage.
  - Yes
  - No
  - Don't Know
- I have made legal arrangements to ensure that both my spouse and I effectively use our respective Unified Credit Exemption Amounts to maximize our estate tax savings, and we utilized the unlimited marital deduction.
  - Yes
  - No
  - Don't Know
- I have made legal arrangements to ensure continuity of my family business.
  - Yes
  - No
  - Don't Know
- I have selected trustees for trust that benefit my minor children.
  - Yes
  - No
  - Don't Know □

## Coming Up in *The Business Owner*

- |  |  |
|--|--|
| <p><b>Independent Advisors:</b><br/>A Business Owner Essential</p> <p>■</p> <p>Family Limited Partnerships</p> <p>■</p> <p><b>Taking Your Company Public:</b><br/>Dream or Reality?</p> <p>■</p> <p>Business Plan Made Simple</p> <p>■</p> <p>Age Discrimination Laws</p> <p>■</p> <p><b>Appraisals: Getting More for Less</b></p> <p>■</p> <p>Installment Sales</p> <p>■</p> <p>Board of Director Options</p> | <p><b>Convert from C-Corp Status</b></p> <p>■</p> <p><b>Public Speaker: A Cheap and Powerful Marketing Tool</b></p> <p>■</p> <p><b>Timing Critical in Selling a Business</b></p> <p>■</p> <p><b>Don't Get Sued When Trying to Collect</b></p> <p>■</p> <p><b>How to Steer Clear of Sexual Harassment Claims</b></p> <p>■</p> <p><b>When to Hire an Agent or Representative: The Science is Clear!</b></p> <p>■</p> <p><b>The Right Way to Select an Executor/Executrix</b></p> |
|--|--|

If you need to renew, or have any comments or questions, call us at (800) 634-0605 or email [info@TheBusinessOwner.com](mailto:info@TheBusinessOwner.com).

# Planning Your Exit Strategy

Many clients own profitable and growing businesses that provide them with income, wealth, challenge, satisfaction and pride. However, at some point the business owner will want to leave his or her business. The key to successful exit planning is in addressing, realistically and directly, some rather basic questions:

1. What are your primary planning objectives in leaving the business, such as departure date and income needed to achieve financial security?
2. Do you know how much your business is worth? What is a reasonable price and terms?
3. Who is ready, willing and able to manage your business when you are gone?
4. Do you already have someone that can buy and successfully manage the business? Or, do you need to make efforts to find such a buyer?
5. Have you provided for your family's security and continuity if you die or become incapacitated?

*The Business Owner* presents two brand-new, 90-minute audio conferences conducted by David L. Perkins, Jr.

## **“Business Valuation for the Business Owner”**

*(wait until you're ready to sell and it'll be too late)*

**Thursday, October 20, 2005  
10 a.m. Pacific/1 p.m. Eastern to  
11:30 a.m. Pacific/2:30 p.m. Eastern**

One day you will sell your business. Odds are you'll want to maximize the price. A max price, however, will not be achieved by chance. It takes knowledge, time and effort. This seminar will give you:

- > Knowledge of what drives and detracts from value
- > Who determines value
- > Actual data on the price and terms that are being paid for private companies
- > How to maximize value

## **“Seller's Market! An Overview of Today's M&A Marketplace”**

**Thursday, November 17, 2005  
10 a.m. Pacific/1 p.m. Eastern to  
11:30 a.m. Pacific/2:30 p.m. Eastern**

Make no mistake. We are currently experiencing a very strong seller's market.

This seminar will explain:

- > What drives the marketplace for the purchase and sale of private companies
- > Current market conditions
- > Who's buying and selling
- > How to go about the process of selling
- > How to avoid the big time and money mistakes

Join us for straight talk from an experienced M&A and valuation expert.

When you sign up, you'll also receive a pdf of “A Concise Overview of Business Valuation”.

The Price? \$149 per session (\$199 if you register after October 9/November 6) or \$279 for both sessions (\$379 if you register after October 9).

In addition to all the valuable information, you'll have the opportunity to ask questions directly when we open the phone lines for live Q & A.

**To register or for more info, visit [www.TheBusinessOwner.com](http://www.TheBusinessOwner.com) or call Carol Newport at 800-634-0605.**

# Living Will And Medical Power Of Attorney

Two legal documents let you specify in advance the medical treatment you will want to receive if an illness or disability prevents you from making your own decisions. A living will identifies the medical treatment you wish to receive when you are facing death. A durable Medical Power of Attorney appoints a person to make medical decisions for you.

## **Living Will**

The living will is very different from your regular will. It does not involve transferring your property to loved ones. Instead, it identifies the medical procedures you do or do not want to receive. A living will can tell your doctor

whether you want to receive life-sustaining treatment if you have a terminal illness or are in a persistent vegetative state.

State law varies on the signing requirement for a living will. Most require that you sign and date your living will before two witnesses.

## **Durable Medical Power of Attorney**

A durable Medical Power of Attorney is different from and more flexible than a living will. When you establish a durable Medical Power of Attorney, you choose the person whom you want to make medical decisions on your behalf if you cannot make your own decisions. This allows your agent to participate in

medical discussions and weigh the pros and cons of treatment decisions. The agent then can make an informed decision in accordance with your wishes.

A durable Medical Power of Attorney lets you give specific instructions about any treatment that you want done or want to avoid. You can include whatever issues you care about most.

Most states now combine the living will and durable Medical Power of Attorney into one document. In one section of the document you state your wishes about a wide range of medical decisions, including end-of-life treatment. In another section you appoint your agent.

Source: [www.AARP.org](http://www.AARP.org)

**Estate Planning: An Overview, continued from cover**

**Revocable Living Trust:** A living trust is one created during lifetime in which the grantor (often the grantor and spouse jointly) retains the right to revoke the trust, change the terms, and regain possession of the property in the trust. The grantor is typically the trustee of the trust during his/her lifetime. Assets held in a living trust go directly, upon your death, to the designated heirs, bypassing probate. The result is typically a swifter transfer of assets to your designated heirs and lower probate and related attorney fees. If the value of your estate, however, exceeds the personal estate tax exemption, be careful not to lose your exemption by simply passing all your assets directly to your spouse. Other benefits of the revocable living trust include:

- **Privacy:** A living will is not a document of public record. Upon your death, assets are transferred outside of probate (i.e. privately).
- **Contingency:** Your living trust can name a successor trustee in the event that you and your spouse become incapacitated.
- **Simplicity and Lower Cost:** For example, if you have assets in multiple states, a living trust can help you avoid multi-state probate proceedings that can add substantially to cost.

**Beneficiaries on Your Retirement Accounts and Life Insurance Policies:** Whether the value of your estate will trigger estate taxes or not, be sure the proper beneficiaries are named on your retirement accounts and life insurance policies. These types of assets are unique in that they automatically avoid probate and are transferred directly to the named beneficiary. Also, consider the tax consequences of whom you stipulate as beneficiary. If you have a sizeable life insurance policy, talk to your advisor about how it is held and who is named as beneficiary. Ask also about a life insurance trust.

**Continuity of Management and Ownership Succession for the Business:** Often, the business is the most valuable family asset and accounts for a substantial portion of the business owner's estate. Your estate planning needs to include:

- Who will run the business in the event that you die or become incapacitated?
- Who inherits ownership of the business in the even of your death?
- How will your business be valued for estate tax purposes?
- How will your estate tax bill be paid and will your estate qualify for installment payments?
- How will financial and credit arrangements and relationships be affected in the event of your death or incapacitation?

**Estate Tax Reduction Plan:** Estate taxes get a lot of attention, but only about two percent of estates are subject to estate taxes. It's the legal fees that most often take the bite out of assets being transferred to heirs, especially when the deceased did not do the basic things such as maintain a current will and living trust. Still, for those that have an estate value that reaches into the estate taxable zone, the question usually turns quickly to "what can I do to eliminate or reduce the estate tax bill?" Keeping it simple, estate tax minimization simply entails reducing the value of

assets within your estate. How does one do this? Well, by getting rid of assets. Here are the ways:

- Utilize your annual gift tax exemption.** Any person can give any other person or persons \$11,000 per year, per person, tax free. So, if you have five children you can give away \$55,000 every year (\$11,000 to each), tax-free. Your spouse can do the same, taking the annual total to \$110,000! Use it or lose it!
- Utilize your lifetime gift tax exemption.** In addition to the above, every person ALSO has a lifetime gift tax exemption of \$1 million. So, you can give (gift) \$1 million to anyone, tax free, at any time in your life. This is in addition to the annual \$11,000 per person allowance, so this amount is not affected by gifts made under your \$11,000 annual gift tax exemption. Gifts made in excess of \$11,000 per year (i.e. made under the lifetime gift tax exemption) do reduce your estate tax exemption threshold (\$1.5 million in 2005), but this lifetime provision is a powerful way to get assets out of your estate before they further appreciate and increase the estate tax bill.
- Avoid assets from ever entering your estate.** This can be achieved by placing ownership interests – especially those that you expect to rapidly appreciate in value – in the names of your heirs ... directly or via trust. This can also be achieved by disclaiming inheritances and having them pass gift tax-free to your children.

**Get Liquid:** Liquid assets such as real estate, rare coins or ownership in a private company cause difficulties during estate settlement in that they are more complicated and costly to value. Disputes could arise with the IRS. Also, the IRS wants estate tax bills paid with cash. If cash is not available to pay the bill, then some liquid assets will have to be sold or borrowed against.

*Note:* Estate taxes, both federal and state (most states), are due and payable nine months from the date of death.

**Pay Down Debt:** An estate that has little or no debt will be easier and simpler to settle. It might also reduce state estate taxes as some states levy estate tax on the gross estate rather than the net estate value. For example, if an estate has \$2 million assets and \$500,000 in liabilities, there are some states that will tax the estate at \$2 million rather than \$1.5 million.

**Prepare Your Heirs:** In addition to having an updated and very clear and well written will, living trust, and other estate planning documents, you should let your heirs know what to expect. Let them know who will get what and an estimation of value. By doing so, disappointments and potential disputes will be minimized.

**Leave A Master Document:** Prepare a master document that lists all your estate planning documents, assets, bank accounts, loan documents, life insurance policies, advisors, etc. Include information on where to find all of these documents, such as in a safety deposit box. □

*Andy Wolov, estate-planning specialist with Hall Estill (awolov@hallestill.com) and Jeffrey Rambach, tax expert with Gable Gotwals (jramback@gablelaw.com) each contributed their expertise to this series of articles on estate planning.*

# Does Your Will Need To Be Updated?

Too many wills are so old they're no longer relevant to the writer's current circumstances—his family responsibilities, assets and liabilities.

Here are some events that should *always* trigger at least a review of your will. Do any of these apply to you?

- **You have moved to a new state.** The will drawn in the state you left may not be valid in another state. Your estate could conceivably be taxed in both states unless a proper will is drawn to conform to the laws in your new state of residence. Take special note if you moved from a community-property state to a common-law state, or vice versa.
- **You have purchased property in another state.** Complications can arise if you have property in two different states because two sets of laws may apply.
- **Your family changes.** Birth, death, marriage, divorce, adoption, separation – any of these may affect certain provisions of your will.
- **Your assets have changed.** Inheriting property, transferring assets to a trust, selling a business or taking out a large mortgage – each may require an amendment or revision of your will.
- **Estate and gift tax law changes.** New tax laws influence your insurance needs, methods of gifting and desirability of

trusts. For example, the unlimited material deduction and the unified estate tax credit may substantially reduce your estate's insurance requirements.

If your estate is substantial, it will certainly be complex to plan and administer. Review your situation with your advisers annually and discuss any major developments that might have an impact on your will and any trusts. □



*“And to whom do you wish to leave the bulk of your estate, sir?”*

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## Ask The Expert:

Andy Wolov, Hall Estill

**Question:** How will the IRS value my estate when I die?

**Answer:** Actually, the executor of your estate will be responsible for filing an estate tax return soon after your death. IRS rules stipulate that your assets must be valued at “fair market value” as of the date of death, which is defined as “the price the property would bring when offered for sale by a willing seller to a willing buyer, neither being compelled or obligated in any way to buy or sell.” Some assets, such as publicly traded stocks or bonds, have a readily determinable value – the price at which it is traded on the open market. Other assets that are unique or not actively traded, such as a piece of real estate or your business, will need to be appraised by a qualified appraiser. Estate taxes will be due and payable nine months from the date of death. □

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## Overcoming Jetlag

A recent *Wall Street Journal* article by a Joann Lublin offered the following tips for avoiding, or overcoming jetlag on long overseas flights:

*Erect a sleep tent:* Wear a hat with a visor and then pull a blanket over your head ... so the visor pushes the blanket away from your nose and mouth.

*Noise cancellation headphones:* Pricey, but possibly worth the investment. Bose QuietComfort 2 Acoustic Noise Canceling Headphones sell for \$199 at Amazon.com.

*Avoid caffeine and alcohol:* Both can interfere with a good night's sleep.

*Dine before boarding:* You can skip the in-flight meal and work on some sleep.

*Carry on a change of clothes:* Things like spills and lost luggage happen. Be prepared with an extra change of clothes in your carry-on bag.

*Book your hotel for the night before:* If you arrive in the morning, you might not be able to check into your room until the afternoon. Buy the prior evening and you can check right in and get some z's.

*Give yourself a day to recover:* Don't book important meetings until you've had a day to recover.

*Avoid big meals:* Big meals won't help you stay fresh. Don't make big dinner plans for the night of your arrival nor regularly during your trip.

*Go to bed early:* Don't stay up late. You need rest and your body wants its usual routine. Try to stay with it.

*Exercise, preferably in the sunshine:* Exercise gives you energy and adrenaline. Go for a run, in the sun if possible. ☐

**“There can be no future without forgiveness.”**

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## Home Mortgage

With interest rates remaining low but potentially poised for a rise, many homeowners are scrambling to refinance. Some of these loans are being resold to a “predatory lender,” and you, the homeowner, become the victim of the mortgage scam.

A “predatory lender” is a mortgage company that purchases loans from a reputable company and then conveniently loses one or more of your payments during the transition period. Customer service is nonexistent and they refuse to accept items such as canceled checks or paid receipts as evidence of payment. First, you receive harassing phone calls from a collection agency demanding payments that you have already made. Then, you find yourself at the receiving end of a foreclosure notice and your home in danger of being sold at the courthouse door.

A typical story is that of Patricia Richards of Powder Springs, Georgia. Her mortgage was sold to Fairbanks Capital Corporation. Fairbanks then claimed Patricia had not made several payments and proceeded to publish her home for foreclosure. Not only was she about to lose her home, her excellent credit rating was also at risk. Since Fairbanks and their attorneys would not respond to Patricia, she was forced to hire an attorney at her expense to resolve the issue. Fairbanks beat a hasty retreat without any apology.

Based on the numerous reports, Fairbanks appears to be one of the major players in the predatory lending field. These reports can be accessed at many scam sites such as [www.complaints.com](http://www.complaints.com) and [www.badbusinessbureau.com](http://www.badbusinessbureau.com). Search these sites under keyword “mortgage.”

Other types of mortgage scams include failing to post your payments in order to collect late fees, overcharging for taxes and insurance and fees for nonexistent “property inspections.”

How can you protect yourself? Deal with a reputable company that has a local office where you can make your payments and talk to a real person if there is a problem. Make all of your payments on time and be sure to keep a copy of all your bank statements. Respond promptly to any notices. Be alert to any charges that you do not understand. Correspond in writing, preferably via certified letter. ☐

Source: [www.SolidGoldHomeBusiness.com](http://www.SolidGoldHomeBusiness.com)

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