



THE ELLS OUTLOOK

May-June 2009

Pay Attention To Changes in Estate Tax Planning

The new year brings major changes in many estate plans. Not only has there been the biggest year-to-year increase in the federal estate tax exemption, from \$2 million to \$3.5 million, but the change comes at a time when the values of many estates have declined due to the housing and stock market slumps. As a result, we recommend you review your estate plan to make sure it is still relevant and that the surviving spouse does not end up receiving much less than you had originally planned.

Looking ahead, if no new legislation is passed this year, in 2010, the estate tax is repealed completely, however, in 2011 it reverts back to a \$1 million exemption. There is a growing consensus that congressional compromise could keep the estate tax but with a high exemption level — perhaps as high as the \$3.5 million level of 2009. All of these changes and potential changes highlight the importance of continuing to monitor your estate planning and build as much flexibility into it as possible.

While much about the future of the estate tax system remains up in the air, one strategy the new exemption level doesn't affect is your ability to reduce your taxable estate through lifetime gifts. The annual gift exclusion increased in 2009 to \$13,000 per recipient, up from \$12,000 in 2008. Be sure you are taking advantage of this tax-free provision in your wealth-transfer strategies.

We can all agree that it's important to have your will and trust documents reviewed every five to ten years to be sure they reflect the current tax laws. There are a number of estate planning methods you can use to minimize federal taxes on your estate, and your ELLS advisor is prepared to discuss your options with you. We can work with you to determine whether your estate plan should be revised to factor these and other possible changes in estate tax laws. Call your ELLS advisor to set up an appointment to review your Estate Plan.

FREE! QuickBooks Pro Training for ELLS Clients

Our new state-of-the-art training facility in the ELLS offices is now available for ELLS QuickBooks clients. The CD-based training is suited for beginners to intermediate level staff who want to learn QuickBooks in greater depth. We encourage clients who have recently upgraded to the QuickBooks 2008 or 2009 version, or clients who want a refresher course in utilizing the many features of QuickBooks software, to take advantage of this training opportunity.



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Call your ELLS Advisor to schedule a convenient training session utilizing the QuickBooks CD training program.

Ron Stumpf Discusses Irrevocable Life Insurance Trusts



If a significant portion of your estate will be proceeds from life insurance policies, you may want to consider the benefits of establishing an irrevocable life insurance trust. The proceeds from a life insurance policy avoid probate if they are left to a named beneficiary or beneficiaries. In addition, life insurance proceeds are generally free from federal income taxes. But these proceeds frequently fall victim to federal estate taxes.

When a properly created Irrevocable Life Insurance Trust (ILIT) is the owner and beneficiary of your life insurance, the proceeds may not be subject to the federal estate tax.

Since an ILIT is irrevocable, you can't change it once you have set it up. It does, however, let you specify who gets the life insurance proceeds and when. In addition, by keeping the proceeds in a trust for your family, the proceeds are almost always free from the claims of creditors or divorce courts.

Using this strategy, each time you pay a life insurance premium, you are actually making a gift to your beneficiaries. When you set up an ILIT and follow the formalities, you make the most of your \$13,000 annual exclusion for gifts. For example, if you name your three children as beneficiaries of the ILIT, you and your spouse can each gift \$39,000 annually (\$13,000 per child) to the trust in the form of life insurance premiums. The \$78,000 per year will buy a lot of life insurance!

To get the most benefit, you want to work closely with your ELLS advisor, who will coordinate the efforts of a good life insurance agent and a good estate attorney to assure your ILIT is properly set up and meets federal guidelines. This may be one of the best estate tax savings tools available! If it sounds like it may suit your situation, call your ELLS advisor to begin planning your strategy.

Thank You For Referring Us
To Your Friends &
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Orange County Economic Forecast Shows Some Optimism

On April 23rd, the Mihalyo College of Business & Economics at Cal State Fullerton gave their mid-year economic forecast at the Hyatt Regency in Irvine. In a survey of 838 Orange County firms contacted in late March 2009, the proportion of owners, CEO's and managers that expect overall business activity to improve or stay the same jumped to 43%, up from just 23% in the first quarter of 2009. This included responses to questions about their own industry as well as their outlook for the regional economy.

In their own industry, 30.1% of the executives expect significant or some growth in their industry, which is up 10% from the previous quarter in 2009. There was a slight increase to 27.3% in firms surveyed that expect to have higher profits in the next three months. This optimism was offset by the 46.4% of firms that expect lower profits during the current quarter. Overall, the report concluded that the profit expectations of OC firms seem to have improved over the previous quarter.



ELLS Shareholder and Executive Council Member **Maria Arriola**, poses with her guests including client Justin Becker of Kosakura and his colleague Mark Bradley of the Glass Maze. Clients Mari Kurtz of Cal Pac Sheet Metal and Joe Ott of Contractors Flooring Service of California also attended.

According to the Mihalyo economic report, other reasons for optimism are that a majority of companies feel that we are doing as well, or better, than the national economy. By a small margin, it was felt hiring conditions will improve somewhat in Orange County in the coming quarter. The expectations for an increase in sales have also improved according to the survey. So in conclusion, although it isn't GREAT news, at least the Orange County business climate is beginning to become a bit more optimistic about economic recovery beginning in the near future.

Cash Is Still King!

A direct fallout from the ongoing credit crisis is that credit-worthy companies are finding credit more costly, if they are finding it at all. Giant corporations down to the small business on Main Street are all affected. So what steps should the small business owner take? We have identified four strategies that we feel head the list of financial survival:

1. Conserve cash wherever and however to ensure sufficient cash to make payroll and avoid negative credit reports.
2. Be more accurate with projecting your customer demand so you have the right mix of inventory to service your customers with as little stock on hand as possible.
3. Faster intervention on late-paying customers. Along this line, you might want to consider electronic billing and collection ability.
4. Maintain an open dialogue with your banker. Your banker is in tune with the economy's problems and may be able to help.

Your ELLS advisor is standing by to assist you in identifying ways to improve your cash flow and increase the availability of cash on hand. Give us a call.

CalCPA Celebrates It's 100th Anniversary



Shareholder **Sherry Radmore**, CalCPA Board member and New Member Committee Chair, organized the CalCPA general member mixer at Code Restaurant in Newport Beach on May 14th. The mixer also honored CalCPA's 100th Anniversary and included the installation of new board members for 2010. This was the largest mixer in the annals of CalCPA with over 100 members attending and enjoying themselves. Congratulations to Sherry for a great job! ELLS employees joining in the fun included **Yana Weaver, Jill Zozula** and **Jeff Jordan**.

In photo above, Sherry (far right) is pictured with ELLS friends Michael Gorelick of Benefit Equity, Inc. and Barbara Howarth of Thomson Reuters RIA. Thanks to both companies who also were the sponsors of this very successful event.

—Around The Calculator—

We're back in the anniversary groove! Leading off our hit parade for this issue is **Mary Anne Turner**, who runs our Cost Segregation department. Mary Anne joined us four years ago, on May 3rd. Administrative Assistant **Joni Carvale** celebrates her first year with us on June 17th. On June 21st, Professional Staff member **Chris Stumpf** will be flying three balloons, one for each year he's been with us. The parade ends with **Lori Nelson**, Tax Secretary, celebrating her 2nd anniversary on June 25th. Our best wishes to the celebrants!



ELLS Celebrates Annual Recognition of Outstanding Hispanic Businesses in O.C.

Maria Arriola and husband Marty, along with **Jill Zozula** and husband Shane, hosted a table at the O.C. Hispanic C of C's annual Estrella Awards on April 23rd. Our guests, pictured above, included John Somers of Bristol Park Medical and his wife, Diane; Robert Aviles from U.S. Bank and his wife Yolanda; and Donna Salmon, wife of Paul Salmon from Lighthouse Consultium, (who was nowhere to be found when the photographer arrived to take the photo!).

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May we introduce you to our dynamic and dedicated Audit & Assurance team who perform audits, reviews, and compilations of financial statements for privately held companies. In addition, these are the people who assist our clients in analyzing their internal controls and fraud procedures as well as assist in transactional accounting. Thanks in large part to their excellent performance, our A & A activities are the fastest growing segment of our business.



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