

June 4, 2015

To Our Clients and Other Friends:

We are sending this newsletter to alert you to a change in Pennsylvania law concerning general (financial) powers of attorney, update you on the current federal exemption and exclusion amounts with respect to transfer taxes, highlight some planning opportunities in this historical era of low interest rates and mention some important changes at HTT&S.

New Power of Attorney Law:

Last year Act 95 was signed into law, making important changes in Pennsylvania law governing general (financial) powers of attorney. Act 95 changes the formalities necessary to execute an effective general power of attorney and requires new language by which the agent acknowledges the agent's responsibilities before beginning to serve. The changes went into effect January 1, 2015.

If you executed a general power of attorney prior to January 1, 2015, and your agent accepted his or her appointment to serve prior to January 1, 2015, (even if your agent has not actually acted as your agent) the existing power is effective even without the new provisions.

If you executed a general power of attorney prior to January 1, 2015, but your agent did not accept his or her appointment, then before your agent may act, your agent will need to sign a new one-page acknowledgment with language not contained in the pre-2015 general power of attorney. Your agent does not need to do this now; he or she would only have to do so before acting on your behalf. If this applies to you and you would like to have a new acknowledgment prepared, please contact your HTT&S lawyer.

Even though general powers of attorney executed prior to January 1, 2015 are still valid, you nevertheless may wish to execute a new general power of attorney that conforms to the new laws to avoid potential delays or questions by financial institutions when your agent needs to act. If you wish to execute a new general power of attorney, your HTT&S lawyer can prepare one for you that conforms to the new requirements.

Current Exemption and Exclusion Amounts:

In 2015, the federal estate/gift tax exemption amount increased by \$90,000 to \$5,430,000 (in 2014 this amount was \$5,340,000), reduced by prior gift tax exemption used. The generation-

skipping transfer ("GST") tax exemption amount also increased to \$5,430,000, reduced by prior GST tax exemption used. These exemption amounts are indexed for inflation annually going forward, and therefore will presumably increase in future years. The tax on assets in excess of the exemption amounts is currently 40%.

In addition, each individual has an "annual exclusion" amount that he or she can give away to each person per year without using any of his or her gift tax exemption (certain requirements must be met for the gift to qualify for the annual exclusion). The annual exclusion amount is indexed for inflation annually. The annual exclusion amount in 2015 continues at \$14,000 per person (or \$28,000 per person if the donor is married and the couple elects to "split" gifts), the same amount as it was in 2014. As always, payments of tuition and medical expenses made directly to an education or health care provider do not require the use of your annual exclusion amount or your gift tax exemption.

If you are interested in learning about possible gifting opportunities, or if you want to discuss how the increased exemption amounts may impact your own estate planning, please contact your HTT&S lawyer.

Unique Planning Opportunities:

As interest rates continue to stay at historic lows, there are many opportunities to take advantage of a variety of planning opportunities that are based in whole or in part on the "applicable federal rates." For example, intra-family loans and loans to trusts can benefit from low interest rates, allowing the borrower to pay very low amounts of interest and, if the interest is forgiven, to use less gift tax exemption than if the rates were higher. Grantor retained annuity trusts (also known as "GRATs") and charitable lead trusts also can benefit from low interest rates, which in turn can afford you the opportunity in certain circumstances to transfer assets to other individuals and/or trusts with minimal or no use of your gift tax exemption. If you are interested in learning more about the planning opportunities afforded by low interest rates, please contact your HTT&S lawyer.

Firm News:

Many of you know already that one of our founding partners, L. Pierre Teillon, Jr., retired from the firm and from the practice of law effective January 1. Perry has played an important role in the life of the firm since its inception, joining Martin, Jack, Margaret and Kim when the firm opened its doors on October 31, 1994, more than twenty years ago. Although he is retired, and will be able to spend time with his wife, Peg, his three children and five grandchildren, we look forward to his regular visits to the office. For those of our clients for whom Perry was responsible, most of you will already have received one or more communications regarding Perry's retirement and may have been introduced to another HTT&S lawyer who will help you with your legal needs. All of you should feel free to contact any of the partners if you have questions about this transition. Needless to say, we wish Perry the very best in his well-deserved retirement.

HTT&S recently named Adam T. Gusdorff and Bradley D. Terebello as partners in the firm. Adam joined the firm in 2012 and concentrates his practice in disputed matters and fiduciary litigation. Brad has practiced law with HTT&S since 2007, and his practice involves all aspects of trust and estate planning and administration, focusing extensively on trust administration (including trust modification) and disputed matters.

At its March 2015 meeting, the American College of Trust and Estate Counsel ("ACTEC"), a national, non-profit association of leading trust and estate lawyers, elected Jack Terrill to be its Secretary for 2015-16 and Margaret Sager to a three-year term on its Board of Regents. Membership to ACTEC is by peer nomination and then election by the Regents, ensuring that Fellows have a high level of integrity, competence and experience in the trust and estate field. Jack was elected as a Fellow of the College in 1991. Prior to his election as Secretary, Jack held leadership positions on the Executive Committee, the Board of Regents, the FATF Task Force and the Asset Protection Committee. He served as Pennsylvania State Chair from 2012 through 2015. In the ordinary course over the next five years, Jack will serve as an officer of ACTEC and in 2019-2020 as President. Margaret's involvement with ACTEC since her election in 1999 has included chairing the Fiduciary Litigation Committee and membership on the Professional Responsibility Committee, the Program Committee, the Arbitration Task Force and the Nominating Committee. In total, six partners of the firm are ACTEC Fellows.

If you are interested in learning more about any of the foregoing, please contact your HTT&S lawyer.