

# FORUM

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### HAPPY NEW YEAR!

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an appointment to discuss  
your personal financial  
goals

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## CHILD, HOME & COMMUNITY



Building a better future for  
children by empowering young  
parents through education,  
advocacy and collaboration.



*Submitted by: Maureen Kyte, Development Director*

The recent news coverage of famous teen moms such as Jamie Lyn Spears and Bristol Palin along with the movie Juno, has brought the issue of teen pregnancy into the limelight. While celebrity portrayal of teen pregnancy seems far-flung to most of us here in Bucks and Montgomery Counties, the stark reality of the issue in our communities and how it affects the children being born is a very different story.

Each year, more than 700 adolescent girls in our area will become mothers. Without early intervention, many of the babies born to these young moms will not receive the necessary healthcare and basic services that they need to get a healthy start in life and to properly develop physically, emotionally and socially.

Child, Home & Community (CHC) has been working for 30 years to serve these vulnerable young moms and dads with programs that include free childbirth classes, support groups, career counseling and other advocacy services to teens throughout the Bucks & Montgomery counties. "Our young clients have made the choice to give birth and are referred to us through high schools, health providers and other social service agencies," says Beth Styer, Executive Director of Child, Home & Community.

CHC's mission is to build a better future for children by empowering pregnant and parenting adolescents to ensure healthy pregnancies, encourage self-sufficiency and establish family environments in which each child can grow and thrive. The issue of teen pregnancy affects every community. Teen parents who venture into parenthood without proper education, advocacy and support will have a significantly higher chance of using the social welfare system – cash assistance, food stamps, subsidized housing, and involvement with Children & Youth protective services.

Nationally, only about one-third of teen mothers obtain a high school diploma which leaves them unprepared for the job market.

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## Not-for-Profit Highlight: Child, Home & Community

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They are also more likely to raise their children in poverty. Child, Home & Community offers a school based program in addition to its weekly prenatal and support groups offered in hospitals.

The school based programs offer pregnant or parenting teens an



opportunity to meet with case managers during the school day, including a fatherhood case manager for the dads. They also have a career specialist who works with high school seniors to assist them in making a plan for future education or full-time employment. A scholarship program, funded by an anonymous donor of the agency, offers one graduating senior financial assistance for college.

A young mother who overcame the odds said, "Staying in high school and overcoming other people's judgment of me was very difficult. It was the worst feeling knowing people were putting me down and that I no longer fit in with friends because I was pregnant. However, from all of this I have learned a lot. With the help of the CHC, I worked hard to successfully graduate from high school and look forward to continuing my education to become a Medical Assistant. I want to be a role model for my son and be able to provide us with a better life...being a teen parent should not stop you from pursuing your dreams."

How can parents and teachers communicate to teens in a way that they will understand about the consequences of unplanned pregnancy? The very unique prevention program that Child, Home & Community presents to students in local middle and high school health classes does just that. Teen Parent Awareness: Fact & Fiction, gives an eye-opening view of pregnancy with an "empathy belly," which simulates the look and feel of pregnancy. The belly is worn by student volunteers during the program. "The students try to walk around the classroom and pick things up off the floor wearing the 25 pound belly," comments Diane Jones, Educational Case Manager for CHC. "They get a feel for the physical side of pregnancy within a few minutes." The program instructors present a realistic look at the responsibilities of parenthood and promote the prevention of untimely pregnancy.



Child, Home & Community's vision is that all young parents will be supported in order to develop healthy children and strong families; all children have a right to a healthy start in life; every expectant mother is entitled to quality healthcare and education; all families are valued. In supporting vulnerable families, CHC improves our community and society as a whole.

To commemorate 30 years of service, CHC is holding a 30th Anniversary Brunch Celebration on Sunday, March 7, 2010. The event will be held at Chefs-on-the-Run in Chalfont, PA. Sponsorship opportunities are available for companies, foundations, or individuals who would like to recognize the hard work and dedication of the agency at the same time receiving exposure for their organization or business.

*Please contact CHC directly for more information on sponsorship or attending the event by phone at 215.348.9770 or by email at [www.chcinfo.org](http://www.chcinfo.org).*

## Roth Opportunities and Roth Retirement Accounts

*Submitted by: H. Bruce Detweiler, CPA*

The Roth concept, first introduced for Roth IRAs, is now available for 401(k) and 403(b) retirement plans. Traditional 401(k) and 403(b) plans accept employee elective contributions that are made with before-tax dollars. Designated Roth employee elective contributions are made with after-tax dollars. This means when you reach retirement age and begin to withdraw funds from your plan the income will be treated differently – your traditional 401(k) and 403(b) withdrawals of contributions and earnings will be subject to federal and most state income taxes while a Roth IRA withdrawal is not taxed (provided the account is held for 5 years and withdrawals are made because of disability, death, or after attaining age 59-1/2). There are also no minimum distribution requirements for Roth IRAs.

Starting in 2010, if otherwise eligible, you may roll over distributions from employer-sponsored plans such as 401(k) and 403(b) into a Roth IRA. You must report the resulting income for tax purposes but a special rule allows you to defer the income from a Roth conversion and spread it ratably over two years, 2011 and 2012.



Converting to a Roth IRA may be beneficial if you:

- Think you will be in the same or a higher tax bracket when you retire.
- Have some time before you plan to retire.
- Currently have a low retirement account balance but expect the value to significantly appreciate in the future.
- Don't think you will need to use all of your retirement savings.
- Have the resources to pay income taxes on the conversion amount.



If your employer chooses to adopt a Roth contribution program it must continue to offer the traditional 401(k) and 403(b) plans. Employer matching contributions based on a designated Roth employee contribution must be made to a pre-tax account. Designated Roth contributions must be kept completely separate from previous and current 401(k) and 403(b) elective contributions. In addition, payroll systems must be adapted to deal with Roth contributions, written notice to employees is required if a plan adds a Roth program, and recordkeeping/reporting requirements will apply.

Because you are not required to take a minimum distribution from a Roth IRA during your lifetime, all of the assets can continue to grow income-tax free. You can then leave your beneficiaries more assets through your estate – assets they can withdraw tax free over their lifetimes. (Your Roth IRA will be subject to minimum distribution rules after your death.)

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## It's 2010: Do You Know Where Your Estate Plan Is?

*Submitted by: Charles Bender, Attorney At Law*

In what some have called an act of governmental malpractice, Congress allowed the federal estate tax and generation-skipping transfer tax to expire as of January 1, 2010, resulting in chaos in the estate planning community. With the repeal of the federal estate tax, there will be no federal estate tax for any decedent, married or single, dying in 2010, regardless of how large the estate is, or who the beneficiaries are. Absent a statutory change, these taxes will come back on January 1, 2011, under the rules that applied back in 2001, including a \$1 million exemption and a 55% top tax rate.

To pay for the elimination of these taxes, Congress modified a taxpayer friendly rule which allowed heirs to sell inherited assets without incurring a capital gains tax. For 2010, this rule is restricted, allowing a basis step up for only \$1.3 million of estate assets. An additional \$3 million of basis step up is permitted for transfers to a surviving spouse.

While it is widely believed that Congress will act quickly to resolve this situation, it was even more widely believed that Congress would never let it happen in the first place. Further complicating matters, if Congress attempts to reinstate the tax effective as of January 1, 2010, the retroactive application of any changes may be unconstitutional. It could take years of litigation before we know how the estate tax will apply for decedents dying in 2010.

For taxpayers with estates of \$1 million or less, no changes to their estate plans are required. They were not subject to the federal estate tax before 2010 or in 2010. If no change is made to the law, they will still be below the estate tax exemption amount in 2011. In addition, their heirs will receive a full step up in basis for estate assets, without potential capital gains taxes on prior gains.

Things get more complicated where the taxpayer's assets exceed \$1 million. While most estate planning commentators speculate that any potential fix for the estate tax will involve an exemption of anywhere from \$3.5 million to \$10 million, if Congress is unable to agree to a solution, the exemption will be \$1 million in 2011.

A common estate plan for taxpayers with estates large enough to be exposed to the tax is to create a trust for the amount of the federal estate tax exemption, sometimes referred to as the Exemption Trust. A formula clause is used to automatically adjust to changes in the amount of the federal estate tax exemption. The amount of the estate in excess of the federal estate tax exemption is then left to the surviving spouse, either outright or in trust, through a Marital Share. Under these formula clauses, if there is no federal estate tax, then the entire estate will be allocated to the Exemption Trust and there would no amount allocated to the Marital Share. This is fine if the surviving spouse is the beneficiary of both parts. However, sometimes the beneficiaries of these two parts are different, especially in second marriage situations. Children from the first marriage may be beneficiaries of the Exemption Trust and the second (or third) spouse may be the beneficiary of the Marital Share. In these situations, the effect of the formula clause if there is no estate tax is to allocate the entire estate to the Exemption Trust for the benefit of the children, effectively disinheriting the surviving spouse. Clients in this situation need to review their estate plans immediately.

Another potential problem is the allocation of the step up in basis among the deceased taxpayer's assets. If the estate is left to more than one beneficiary, there will be significant income tax benefits transferred to the beneficiary who gets to use the stepped up basis, at the expense of the other beneficiaries.

So what should we do in view of all of this uncertainty? For people with modest estates, they can just shake their heads wondering how Congress could have allowed this to happen. Those with larger estates should meet with their advisors to determine what, if any, steps should be taken pending any action Congress may take to address the situation. For those who experience a death of a family member in 2010, it is critical to meet with their advisors to determine whether the estate can benefit from the temporary repeal of the estate tax. If a formula clause in a Will results in an unintended disposition of the estate, post mortem planning techniques, such as disclaimers and use of the spousal elective share, may help to avoid potential disasters.

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