

IF ONLY THEY ALL WORKED OUT THIS WELL

By Robert Lopardo, *President of ATG Trust Company*

Here is a short fable to illustrate how working with ATG Trust Company can help you expand and enhance your practice while providing high quality service to your clients.

“One day an attorney received a referral from one of his clients who had happened to use some of ATG Trust’s services. The referral told the lawyer about an accident he had been involved in and how he thought there was a cause of action of some kind. The lawyer thought he could help.

Some time later, after several meetings and negotiations, the lawyer was able to secure a settlement for his new client. He worked with ATG Trust to develop a structured settlement that allowed the client to assure a lifetime of benefits in a guaranteed payment stream.

During this process of getting to know his new client, the attorney made note of the client’s assets, family situation, retirement plans and income tax matters. He suggested an estate plan that included drafting self declaration living trusts for him and his spouse, naming ATG Trust as his successor trustee in case of his death or disability. The client asked why he would want to pay a trustee when his wife or children could surely handle the job for free. The lawyer wisely steered his client through the myriad and changing tax and administration rules and regulations affecting estates and trusts, noting that it can be perilous to allow untrained individuals to act in a fiduciary capacity over others.

The client had diverse assets including several mutual funds, individual securities held at some brokerage houses, annuities, real estate interests, and ownership of a piece of a small business. The attorney suggested his client consider ATG Trust act as custodian of the assets. He crafted a land trust using ATG Trust’s forms available on its web site to hold the residential real estate in tenancy by the entirety during his lifetime that then flowed to the living trusts.

The client mentioned he would like to buy some additional investment real estate using his substantial rollover IRA from his former employer but was told by the brokerage firm holding it that he was not able to do that. The lawyer showed him the ATG Trust self-directed IRA that would let him accomplish his investment goals.

Down the road, the client’s widowed mother passed away intestate and the client asked his lawyer for help with her estate. It was modest but did require probate. While ATG Trust could have acted as Administrator, the client felt a duty to his family to take on that role. The lawyer explained the need for a probate bond and used ATG Trust’s bond service to acquire one on-line from his office.

When the client decided to sell some investment real estate because he found more real estate he liked better, the lawyer suggested a §1031 “Starker” exchange using ATG Trust as the qualified intermediary. Again, the forms were available on line and the client earned a high rate of interest on exchange funds.

Eventually, the client became tired of managing his own investment portfolio but did not want to give up being his own trustee. The lawyer suggested allowing ATG Trust to assist with the financial assets while the client maintained control of the reins.

When the client passed away, ATG Trust stepped in as successor trustee. It was a breeze to administer the decedent’s trust affairs since ATG Trust already had custody of the assets and knew the family from years of acting as structured settlement adviser, investment custodian, land trustee,, IRA custodian, investment adviser and the excellent guidance of the member lawyer.” The End....?

IRS Reconfirms Previous Related Party Exchange Rulings

IRS Letter Ruling 200810016:

Following the holding of earlier rulings on the same topic, this ruling holds that the taxpayer may acquire replacement property from a related party if the related party is also doing an exchange into a replacement property.

The taxpayer intends to sell the relinquished property to an unrelated party and acquire the replacement property from a related party. The related party then intends to use the exchange proceeds to acquire a replacement property in the related party’s exchange. Both the taxpayer and related party will engage QIs to complete their exchanges and both will hold their replacement properties for two years following the receipt

of the later of the replacement properties (other than a disposition under §1031(f)(2)). The ruling first finds that §1031(f)(1) is not applicable because the taxpayer is exchanging with an unrelated QI. Referencing Congressional policy statements and commentary regarding § 1031(f)(2) (C), it then finds that § 1031(f)(4) does not apply either. Section 1031(f) (4) provides that an exchange is taxable if it is part of a transaction, or series of transactions, structured to avoid the purposes of § 1031(f). In this case, there will be no "cashing out" of either party's investment in real estate. Upon completion of the series of transactions, both parties will own property that is of like kind to the property they exchange.

This ruling reconfirms earlier IRS Letter Rulings 200616005, 20040002



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THE TRUSTED ADVISER

President’s Notes

By Robert Lopardo,
President of ATG Trust Company

It is enormously gratifying to report on the state of our Company. From a starting point of zero assets under management and just a couple of people on the job in November of 1998 we now have a well respected, independent trust company with these current statistics:

We have **\$250,000,000** (two hundred fifty million dollars) in our care and management.

There are **twelve people in two locations** (Chicago and Lake Forest)

400 attorney members have signed on to the ATG Trust Company business model

We have acquired the land trust business of two banks (Northern Trust in Lake County and Downers Grove National in DuPage) and now have **over 2,000 land trust files**.

Our **world class §1031 Starker Exchange services** are used by lawyers and the public because of our outstanding service and commitment to providing top flight investment returns on exchange funds.

Our **online probate bond service** at www.atgtrust.com saves time and money for estates and their representatives.

We offer **IRAs that allow real estate** investments.

Unique **structured settlement services** help attorneys with personal injury and other cases.

Most importantly, our core business of **trust and estate management** allows attorneys to provide highly customized services to their clients right in their offices. With the exception of probate matters our member **attorneys can share in an ongoing stream of revenue** for providing relationship management services to trust clients.

In a time of economic downturn, particularly in real estate, ATG Trust Company is a bright star on the lawyer’s horizon. **Virtually every client you see is a potential user of one or more of our services.** We are here for you and your clients whenever you need us.

If you are a member, thank you! If not, please do contact us to learn more about joining with your colleagues who have learned the value of having a trust company in their own office.

Why Compounding Investments Is The Way To Riches

By Terrence McCormick, *Vice President and Trust Officer*

One of the most important lessons for living in the modern world is that to survive you’ve got to have money. But to survive happily, you must have love, health (mental and physical), freedom, intellectual stimulation -- and some cash in the bank.

When I taught my kids about money, the first thing I taught them was the use of the “money multiplier.” What’s the money multiplier? Simple, it’s rolling the gains, dividends and interest earned on my current investments into more investments that pay me gains, dividends and interest – **Compounding**.

Compounding is the royal road to riches. It’s the safe road and fortunately it’s a piece of cake. To compound successfully you need the following - patience in order to keep you firmly on the savings path. You need intelligence in order to understand what you are doing and why. You need to trust the basic school math tables in order to comprehend the amazing rewards that will come to you if you faithfully follow the compounding road. And, of course, you need time - time to allow the power of compounding to work for you. Remember, compounding only works through time – economists call it the future value of money.

There are two catches in the compounding process. The first is obvious -- compounding may involve sacrifice (you can’t spend it and



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Why Compounding (cont.)

save it). Second, compounding is watching grass grow. Or I should say it's boring until after seven or eight years when the money starts to pour in. Then, it becomes downright fascinating!

In order to emphasize the power of compounding, I am including this extraordinary study, courtesy of Market Logic, of Ft. Lauderdale, FL. In this study we assume that an investor (Let's call her Alexis) opens an IRA at age 19. For seven consecutive periods she puts \$2,000 into her IRA at an average compounding rate of 10% (4% growth + 3% dividends + 3% inflation). After seven years this lady makes NO MORE contributions -- she's done!

A second investor (Let's call him Terrence) makes no contributions until age 26 (this is the age when investor A was finished with her contributions). Then Terrence continues faithfully to contribute \$2,000 every year until he's 65 (at the same theoretical 10% rate).

Now study the incredible results. Alexis, who made her contributions earlier and who made only seven contributions, ends up with MORE money than Terrence, who made 40 contributions but at a LATER TIME. The difference in the two is that Alexis had seven more early years of compounding than Terrence. Those seven early years were worth more than all of Terrence's 33 additional contributions.

This is a study that I suggest you show to your kids. It's a study you can live by, and I can tell you, "It works." You can work your compounding with tax free municipal-bonds, with a good money market fund, with T-bills or say with five-year T-note- but it works best with quality dividend paying stocks.

Don't Lose Money:

If you want to be wealthy, you must not lose money, or I should say must not lose BIG money. Spreading your investments between domestic and international stocks, bonds, a paid-for residence and some hard assets like investment real estate or commodities should give you protection. But MOST PEOPLE LOSE MONEY in chasing the latest popular investment trend or gambling or unresearched rotten business deals or "flipping stuff" which is the same as poor timing. After decades of investing and working with investors, I can tell you that most people definitely can lose money playing the stock market, in options and futures, in real estate, in bad loans, in mindless gambling, and in their own business.

Patient Investor, Rich Investor:

In the investment world the wealthy investor has one major advantage over main street, the stock market amateur and the frantic trader. The advantage that the wealthy investor enjoys is TIME. She doesn't need

the market Today. I can't begin to tell you what a difference that makes, both in one's mental attitude and in the way one actually grows one's money.

The wealthy investor doesn't have to respond to the markets because she has money coming in via certificates of deposit, T-bills, money market funds, stock dividends and monthly real estate cash flow (there's that compounding again). The wealthy investor never feels pressured to "make money today".

The wealthy investor tends to research values. When bonds are cheap (bank yields are irresistibly high), she buys bonds. When businesses are on the bargain table, because everybody hates the stock market and stock dividends are attractive, she buys stocks. When real estate is a bargain because of great positive cash flow, she buys real estate. When great art or fine jewelry or gold is on the "give away" table, she buys art or diamonds or gold. In other words, the wealthy investor puts her money where the great values are.

And if no outstanding values are available, the wealthy investor waits. He has money coming in daily, weekly, monthly from his other investments. The wealthy investor knows what he is looking for, and he doesn't mind waiting months or even years for his next investment (they call that patience).

But what about the little guy? This fellow always feels pressured to "make money." And in return he's always pressuring the market to "do something" for him. But sadly, the market isn't interested.

And because the little guy is trying to force the market to do something for him, he's a guaranteed loser. He doesn't comprehend the power of compounding. He's never heard the adage, "He who understands interest -- earns it. He who doesn't understand interest -- pays it." The little guy is the typical American, and he's deeply in debt.

As a result, he's always sweating -- sweating to make payments on his house, his refrigerator, his car or his lawn mower. He tells himself that he needs to make money -- and fast. And he dreams of those "big, juicy mega-bucks. In short, this "smart investor" spends his life dashing up the financial down-escalator.

But here's the ironic part of it. If, from the beginning, the little guy had adopted a strict policy of never spending more than he made, if he had taken his extra savings and compounded it in intelligent, income-producing securities, then in due time he'd have money coming in daily, weekly, monthly, just like the rich man. The little guy would have become a financial winner, instead of an also ran.

The second top 10 things they did not teach me in law school

By Dennis Norden, Senior Vice President and General Counsel

In an earlier issue of "The Trusted Advisor" I wrote a little article about some things about the practice of law that I learned. The article was fairly well received, despite the editor's prefacing it a suggestion that I might be a little "rough." Anyway, here is some more "roughness."

10. Keep a box near your desk where you can toss articles and items that may not be immediately pertinent to your law practice, but might be later on. Sift through the pile every so often and toss out what clearly isn't relevant. The practice has been called by some the "whiskey box" approach to keeping track of such things. The idea is not to clutter up your desk further.

9. Read through all of your legal forms once a year. It always amazed me what I would find in some of them. Word processing is a great tool, but somehow absolute gibberish can sneak into a form document.

8. I have always addressed other attorneys as "Esquire" in correspondence. This is an outward profession of courtesy and civilization in an all too often hostile legal environment. Being a

The second top 10 things (cont.)

traditionalist, I use it only for male attorneys as it is historically a male term. Others have used the term for lawyers of both sexes.

7. Get active with your state bar association, get on a section council or committee of interest to you. Not only are you learning something and bettering your profession, but knowing other lawyers in your area will develop a two-way referral source for your practice. I referred and was referred to many times in my practice by and to lawyers I had met through ISBA involvement.

6. Dress for business, top to bottom. You will receive more respect from everyone including your clients, other lawyers and judges.

5. Develop a couple of collegial relationships with other lawyers. It really helps if there is someone else with whom you can bounce ideas and questions. Most lawyers are very helpful to each other.

4. Periodically, go off on a retreat. Even if you are a sole practitioner, go away from the office with your staff. Sit down and put together a mission statement for your practice. Then rate yourself and your staff at how well you are doing in living up to your mission statement. It's important that your staff understands how they fit into the picture.

3. Daily "quiet time." Many experts in the economics of the practice of law urge us to set aside an hour a day with no phone calls or other interruptions to get work done. HOGWASH. It's a good idea, but never works. Invariably, the minute I shut my door, my secretary would buzz me and say that she knew it was quiet time, but that Mr. Smith was on the line and she also knew that Mr. Smith and I had been playing phone tag for two weeks over some critical piece of information that I needed and so should she transfer the call in. Of course, I said yes. You just might as well get used to the idea that quiet time won't work. If you want quiet time, come in early or stay late. There's no way around it.

2. If a business client calls you, always offer to meet at his or her place of business. Even better, drop by that business when you're in the neighborhood. Not only does this get you out of your office with its constant interruptions (see #3 above), but it is a bit of flattery to your client that you would come to him or her. But, here's the best thing about this: Every single time I went to a client's place of business, even if unannounced, I walked out with at least one new piece of legal business. Your clients are busy people too, and somehow the sight of their lawyer reminds them of all of the things they've been meaning to talk about with you. I am not kidding. This works.

1. When you walk out of your office at night, QUIT THINKING LIKE A LAWYER. Life is to be lived, not analyzed. Quit looking for the negatives in the rest of life. Most people do not.

Dennis A. Norden

April, 2008

Observations From A Newbie

By Carol Thompson, Senior Trust Administrator

Allow me to introduce myself, my name is Carol Thompson. I am one of the people who open and administer your newly obtained trust accounts. I'm a Newbie because I've been with ATG Trust Company for only two months -- give or take a few days. During this time, I've made an observation. Well, I've made LOTS of observations but only one I want to share at the moment.

Picture this...you're working with your clients, going through their trust documents and compiling papers to forward to us for account opening purposes. Please remember two disclosure documents when compiling information with your clients.

USA Patriot Act form

An acronym meaning: Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism. Sort of speaks for itself, don't you think?

Despite your knowing your clients, in most cases, we do not. It can be so easy to overlook this information that we are required to have in our records. This information includes: DOB, SSN, Address, City, State, Zip, Phone and VERY IMPORTANT: Photocopy of one of the following forms of photo identification:

- Drivers License (issued in the United States)
- U.S. Passport
- U.S. Armed Forces ID card
- Resident Alien ID card
- Or other government-issued ID

W-9 form

Request for Taxpayer Identification and Certification. This form is required for any person who may file a return with the IRS and we must obtain the correct taxpayer identification information.

Instead of having to go back and obtain this information at a later date, it's easier and, in most cases, quicker getting it up front. Like you, most of your customers will understand the need to provide this additional information and do so willingly.

Can't put your fingers on either form...let me know, and I'll send them to you!! It just doesn't get much easier than that, does it?

Thanks for your time and keep those new accounts rolling in!



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