



Collective Fund Performance (6/30/2011) - NET PERFORMANCE

Table with 8 columns: Fund Name, YTD, 1 Yr., 3 Yr., 5 Yr., 10 Yr., 15 Yr., 20 Yr. Rows include Pension Fund, GPTC Equity Fund, GPTC Large Cap Fund, GPTC USA Global Fund, GPTC Small Cap Fund, GPTC Value Fund, GPTC Science & Technology, GPTC Mid Cap Fund, GPTC International Fund, GPTC Fixed Fund.

Indices (6/30/2011)

Table with 8 columns: Index Name, YTD, 1 Yr., 3 Yr., 5 Yr., 10 Yr., 15 Yr., 20 Yr. Rows include Market Index, S&P 500, Russell 2000 Growth, S&P MidCap 400, Lipper Science & Technology, S&P ADR, Lipper High Yield Bond Index.

Past performance is not indicative of future results. Investments are not insured by FDIC, are not deposits or other obligations of Great Plains Trust and are not guaranteed by Great Plains Trust. Investments are subject to risk, including possible loss of principal invested.

Performance for the GPTC Pension Funds are net of the 1% annual fee and includes the reinvestments of interest and dividends.

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PERILS IN ESTATE PLANNING

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For questions about Asset Protection Trusts, please contact Mike Sears at 913.647.1289

The Plan

When they updated their estate planning, Steve and Jan wanted to make sure they provided for their children. Their oldest daughter, Susan, was a dentist earning a good living and preparing to purchase the building where she practiced. Their middle child, Joann, was married to a teacher and had recently stopped teaching herself in order to stay home with her third child. Josh, their youngest child, was going to graduate soon with an accounting degree.

While there was no concern about any of the children, Steve and Jan felt it was important that none of the children receive a lump sum of money before they could handle it. As a result, Steve and Jan's trust provided that each child's share should be held in trust and distributed 1/2 when the child reached age 35 and 1/2 when the child reached age 45.

The Results

By the time Steve and Jan passed away, both Susan and Joann were over the age of 45 and received their inheritance outright and free of the trust. Josh was 43 and half of his inheritance went into a trust for his benefit. None of the kids were spendthrifts and, other than a few minor purchases that were made, they all added the inheritance to existing investment accounts and saved it for the future.

Unfortunately, a few years later Susan was sued as a result of a slip and fall at the building she owned. While there was some liability coverage in her property insurance, her personal assets, including the inheritance she received, were placed at risk.

Joann's marriage fell on hard times

and after several years she and her husband decided to divorce. Joann felt she was entitled to the inheritance her parents left her, but those assets had been commingled with their other joint accounts making it impossible to determine what was inheritance and what was joint property. As a result, the judge determined that all the assets should be divided equally.

Although Josh worked hard, an attempt at starting his own business had failed. Part of his inheritance was held in trust, but that trust terminated on his 45th birthday and the assets were distributed to him.

Consequently, the inheritance Steve and Jan had hoped would be used to provide for the college education of Josh's children was going to have to be used to pay off Josh's creditors in order to avoid bankruptcy. Josh found himself struggling financially and trying to repay significant debt that he had incurred.

Consider Asset Protection Planning

When property is distributed outright to a beneficiary, even if it is not distributed until a designated age, it becomes subject to the beneficiary's creditors. However, trusts can be created that will protect

"Clients are becoming more and more concerned about protecting inheritances from outside events..."

the assets for the trust beneficiary in the event of a creditor, divorce or bankruptcy. Proper planning can give these types of trusts great flexibility. Provisions can be included to allow for a change of trustee, or for modifications to the trust

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**NEW PRESIDENT:  
STEPHEN SODEN**

GPTC is pleased to announce that Stephen S. Soden has joined the company as its new President, and Will Lynch has moved to the position of CEO. Steve brings a depth of experience to GPTC, which will allow GPTC to expand and enhance services to current and future clients. Steve is excited to be a part of the GPTC team and looks forward to helping deliver high quality products and service to our clients.



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(Perils in Estate Planning, continued from page 1)

itself to adapt to new tax laws or changes in the family situation. The trustee can be directed to be liberal in making distributions for the beneficiary (or not if the beneficiary is a spendthrift), and the beneficiaries can even be given some control over what happens to the property after they are gone.

In addition, a trust can be used to avoid estate taxes for future generations. An inheritance placed in a trust can be used to provide for the benefit of the children, and if properly structured will not be included in a child's estate for tax purposes. As a result, assets can pass from generation to generation and

not be consumed by estate taxes that are scheduled to return to a \$1,000,000 exemption and a top tax rate of 55% in 2013.

Asset protection planning used to focus on issues surrounding spendthrift children and concerns about substance abuse. While these are certainly still important reasons to plan, clients are becoming more and more concerned about protecting inheritances from outside events that can consume wealth. When planning, consideration should be given to trust planning that can protect the inheritance for the life of the beneficiary, and for future generations.

**MARKET COMMENTARY: Ben Bernanke needs help from Congress....soon!**

*Kent Gasaway, President Buffalo Mutual Funds*

The chairman of the Federal Reserve Bank, Ben Bernanke, and his colleagues have used monetary policy tools to their fullest to help jump start and sustain the economic recovery. Through their control of the federal funds rate they have kept short-term interest rates near zero for some 2 1/2 years. Additionally, they have ballooned the Fed's balance sheet to help keep long-term interest rates very low as well. Two years ago the Fed held some \$1 trillion of securities assets. Today, they hold some \$2.8 trillion of assets. In the early stages much of their purchases were mortgage backed securities to provide liquidity to a market that nearly shut down. More recently the Fed has aggressively purchased US Treasury securities. This recent program, dubbed quantitative easing #2 or QE2, has had the simple goal of keeping intermediate and long-term interest rates near record lows.

QE2 officially ended on June 30th, 2011. This means the Fed will reinvest in Treasury securities as various holdings mature, but they will no longer expand their holdings. In other words, the Fed is no longer willing to print money to help fund future US government budget deficits. This is why Congress must act soon and convince other Treasury bond buyers that it is safe to continue and/or increase their purchases. What can they do to provide confidence to buyers? First, they must deal with the upcoming federal debt ceiling. The US Treasury currently estimates the government will run out of money in early August, if not sooner. Defaults could ensue shortly thereafter if the debt ceiling is not raised.

Since 1917 there has been a legal limit on borrowing by the federal government. As we entered World War II, lawmakers gave the government blanket approval to spend as needed, as long as the total was less than the established limit. Since that time the debt limit has been raised almost 100 times with little fanfare. Why is it receiving so much publicity today? There are multiple reasons. First, the absolute level and growth trajectory of federal debt has become eye popping. At the current limit of \$14.3 trillion the level of U.S. debt is now approaching 100% of nominal GDP (\$14.9 trillion in 2010).

(Market Commentary, continued from page 2)

This is the highest ratio since World War II.

Next, the sovereign debt crisis in Europe is placing intense scrutiny on government finances. While the US is far from being another Greece (total government debt/GDP ratio of Greece is nearly 150%), the sheer size of the current US budget deficit (nearly 10% of GDP) is causing the ratio to deteriorate rapidly. When investors lose confidence in a country's ability to manage its finances, a death spiral becomes a near certainty. Greek bonds yield in excess of 20%. The average yield on all US government debt outstanding is 2.5%. While there remains the possibility that Europe as a whole will guarantee Greek government debt (to forestall contagion to other countries and protect European banks), there simply is no one large enough to bail out the U.S.

Other issues both impeding and helping passage of a debt ceiling/deficit reduction package include partisan politics and the ratings agencies. In previous newsletters we wrote that serious work by Congress on the budget deficit would probably not come (or be demanded) until 2012. However, the debt ceiling has accelerated this time table and is now being intertwined with a heated political debate over the budget deficit. Republican lawmakers are using the debt ceiling as a bargaining chip to secure deep cuts or caps on government spending. Obama wants budget talks to be separate from the debt ceiling or wants tax increases as part of the solution to the deficit. It is easy to be pessimistic on any deal given the sharp ideological differences between the two parties. However, the ratings agencies have already put U.S. Treasury debt on their watch lists for possible downgrade. They stand ready to downgrade our debt if the debt ceiling is not raised and default appears imminent. It is hard to believe the President or any member of Congress wants such a black mark in history on their resume.

Thus, we are nearing a stage when it becomes crucial that Congress and the President meet in the middle and take real action to insure our country's financial metrics improve over the long-term. The market understands that any deep short-term cuts will be too painful for a still weak economy. However, material, permanent caps on the future growth of the deficit over the intermediate and longer-term would be a huge positive. Hopefully, this is what will be delivered.

Given all the above, the risks to the stock, bond and currency markets have risen and been pulled forward. However, we remain optimistic. In recent months, the stock market corrected some 7% over fears of near-term deceleration in economic growth. There is no denying the economy entered a several month soft patch. Part of the blame can be tied to the Japanese earthquake which disrupted manufacturing on a worldwide basis. Another part of the blame can be tied to rising commodity prices which put a crimp in real income growth. As the economy slowed, businesses held back hiring and payroll growth slowed. The good news is that these negatives are beginning to reverse themselves, giving hope to somewhat faster growth in the second half of 2011. Commodity prices have rolled over and the Japanese supply chain is recovering more quickly than anticipated.

In the intermediate term, the outlook for the US economy continues to steadily improve. Even with the recent weakness, job growth has averaged 182K/month in 2011 versus 98k/month in 2010. Despite the pressure on real wages, the financial health of the consumer continues to mend. The US household financial obligations ratio (mortgage, rent, car, credit card and other loan payments to income) peaked at some 19% in 2007 and has dropped to 16.4% in the first quarter of 2011. While the consumer has been deleveraging, spending by businesses has helped pick up the slack. Exports are strong and spending on productivity remains a priority (to preserve profit margins with input prices rising). The main laggard in the recovery remains housing. With new housing starts still near 30 year lows, there is no over-supply of new homes. The culprit is existing homes. Due to the drawn out nature of the foreclosure process today, the flow of older homes onto the market has kept inventories high. Therefore, the recovery in housing starts is being delayed and only time will heal the market.

We continue to believe stocks are a far better long-term investment than bonds at current valuations. Many of our top US multinational companies pay dividend yields much higher than the current yield on the 10 year Treasury bond. Five years from now the yield (at cost) and market value of these stocks will likely be much higher (due to dividend increases) and the 10 year Treasury bond will likely have depreciated in value (due to inflation). This trade-off seems like a no-brainer to us. Our advice is to stay the course. Eventually, common sense will prevail.

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