The Business Advisory Board ("BAB") is emerging as a useful tool for business owners, family-owned business, and presidents of businesses. A BAB does not replace the traditional Board of Directors, but is a separately established group of advisors without the ability to bind the company. BAB members do not face the legal liability of a Board of Directors, and do not answer to shareholders. A BAB can be established for a specific purpose or as a way on an ongoing basis to get broad objective advice from a group that might not be willing to serve on a traditional board.

A BAB can serve as a source of creative ideas, as a sounding board, or a think tank for developing policies and decisions before they are implemented. A BAB can be established to address narrow topics, like technical issues, or to look at specific products or a new market being considered. The scope of the BAB activity can be broadly or narrowly defined, it can meet regularly, or be used for a limited period of time to address a specific issue like sale, merger, or acquisition. If a company is considering embarking on a new venture or line of business, a BAB can be a good way to get a third-party perspective. A BAB can provide unbiased and even critical evaluation of a new product with impartiality that is less likely to be received from the internal team that developed the product.

In a family-owned business, a BAB may be a way to mediate strong internal conflicts. Where the family members may be unwilling to delegate authority to non-family board members, they may be willing to listen to ideas, suggestions, and strategies that are developed by a BAB but are not binding upon the company.

A BAB can be used as a way to widen the sphere of influence of a company. It may have a specific purpose or topic to address, like trade issues, including...
political purposes. A BAB can also be a vehicle for the company to become active with regard to a community issue, as an example, helping to raise funds for a local college, a community library, or a regional conference facility. It can raise the profile and enhance the reputation of a company by providing a means of contributing advisory board services to a community purpose.

It is not unusual for the president of a company, especially a closely held one, to find himself or herself cut off from contact with peers or impartial advisors. The company’s banker, lawyer, and accountant are constrained by legal and ethical responsibilities to the company, their employers and their professions. A BAB is a good way to break this sphere of isolation and to get fresh thoughts, ideas, and input.

The steps to organizing an effective BAB include the following:
1. Define the need, task, or issue. What are the expectations, timeframe, and goals?
2. Identify the qualities you want in the BAB members and what results you will want from their deliberations. Don’t be afraid to ask for clearly stated conclusions and specific recommendations.
3. Recruit appropriate members and identify a facilitator. Ask BAB members to sign confidentiality agreements protecting the information you provide them. Avoid friends, relatives, and your professionals; seek out industry experts, other business owners, customers, suppliers, or industry trade groups members.
4. Be prepared to compensate them for their time and service. Make sure they understand the time commitment and have the necessary time available.
5. Get them fully informed on the issues and be prepared to listen to their recommendations. Don’t hold back; if they are not fully informed, you can’t expect a quality result. Find a qualified facilitator who can move the deliberations of the BAB forward to a conclusion.
6. Be prepared to receive not only kudos, but criticism. The goal is not a rubber stamp, but a candid assessment. Use the results of the BAB deliberation to assess the need, task, or issue that the BAB was formed to address.
7. Finally, evaluate the process you followed in establishing the BAB and the effectiveness of the BAB in addressing the need, task, or issue.

The BAB is one more tool that senior management of a company can use to get broader input and advice. It is a means for them to obtain help on specific issues or receive ongoing unbiased input. It forces management to identify issues, present thorough information about topics to third parties, and be able to defend their proposals and recommendations. With planning and thoughtful implementation, the BAB can be a valuable resource to a company in evaluating its existing efforts and in planning new strategies and directions.

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Planned and Estate Gifts Benefit Elmhurst College

The College has only received a few estate gifts since the last issue of the Meusch Society Newsletter, but each and every one of them is certainly appreciated.

Recent gifts include $10,000 received from the Leona Wintermeyer Estate. Miss Wintermeyer was an elementary school teacher in Granite City, Illinois, and a member of the Well United Church of Christ in Glen Carbon, Illinois. The College was one of several UCC organizations that benefited from her generosity.

The other recent gift was the final distribution of the Louis and Marion James Estate. This $2,000 gift brought the total received from this former Elmhurst couple to just more than $170,000. This scholarship has been helping Elmhurst College students since it was established in 2003.

This year is a classic example of the ups and downs of planned giving fundraising. While we have only received little more than $12,000, we have been in discussions with several donors regarding five-figure, six-figure, and seven-figure gifts. All the staff in the Development Office can do is continue to work with prospects to establish as many potential estate gifts as possible. While there is no way to know when most of these gifts will mature, it is comforting to know these commitments have been made to support the College.

If the College has your e-mail address, you should also have noticed the occasional e-mail message on planned giving. These messages are provided in conjunction with the provider of our enhanced planned giving web pages, and they are designed to answer questions you may have and peak your interest in options you may not have considered.

An example of this would be the recent Katrina Emergency Tax Relief Act. This law was signed into effect in September in recognition of the tremendous impact this hurricane season has had on our country. Here are the highlights of this law that will be in effect until the end of December.

Prior to the enactment of the new law, a donor could contribute cash up to 50 percent of his or her adjusted gross income and up to 30 percent for gifts of long-term capital gain property (e.g., stocks, real estate held for more than one year) to public charitable organizations. Under the new law, Congress has eliminated the 50 percent cap on the deductibility of certain charitable contributions. In other words, a donor may contribute and deduct gifts up to 100 percent of his or her adjusted gross income if the gift is made:

- In cash (gifts of property such as stocks and real estate do not qualify under this new legislation),
- Between Aug. 28, 2005, and Dec. 31, 2005, and
- To a charitable organization whether or not the charitable organization is engaged in Katrina relief efforts. (This includes our organization, but excludes gifts made to charitable remainder trusts, donor advised funds, private foundations and supporting organizations.)

In addition, gifts made in accordance with the new law are not subject to the reduction rule that reduces itemized
deductions by 3 percent of the amount of adjusted gross income over $145,950.

For example, Harry has given $40,000 generously to the Katrina relief effort, but he also wants to continue benefiting the charitable organizations which he gives to every year during the fourth quarter. Harry’s adjusted gross income in 2005 is $200,000. Harry can, under the new law, make and deduct cash gifts to charitable organizations up to $160,000.

Indirect IRA Rollover
Because of the elimination of the 50 percent cap on the deduction for cash gifts, and the elimination of the 3 percent reduction on itemized deductions, a new opportunity exists. A donor can use this opportunity to make a cash gift and deduct up to 100 percent of his or her adjusted gross income if the donor withdraws funds from his or her IRA or other qualified retirement plan. This opportunity exists if the donor:
• Is over age 59½ and
• Uses the funds to make a cash gift under the above provisions.

The amount withdrawn, however, will be added to the donor’s taxable income and then deducted as a charitable gift. Although it may seem at first blush to be a “wash” from a tax perspective, the additional taxable income will inflate the donor’s adjusted gross income. The result is that it may cause the loss of other deductions or personal exemptions and thus, may not be a total wash. In a typical scenario, a relatively small additional tax of 1-2 percent may still be imposed.

In addition to the 1-2 percent tax, not all states allow charitable deductions against income causing additional taxes to be incurred on a state income tax return. Therefore, please check with your tax professionals if you are contemplating a charitable gift under this new tax law.

As always, the Office of College Advancement stands ready to assist you with any questions you may have related to your estate plan and we thank you for your support of Elmhurst College.

Volunteer Members of the Planned Giving Committee
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Burger & Associates
John S. Davis
President, Mentor Capital Management
John E. Howlett
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James A. Kohlstedt
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President, Eric Duncan Group
Conrad Spitek,’54
VP, UBS Financial Services
Michael Welgat
President, Greatbanc Trust Company
Susan Reedy Williams
Faermark, Mindel, & Williams