

# LAWYER FOR *Life*

## KEEPING YOUR FAMILY HEALTHY, WEALTHY & WISE



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## THE BENEFITS OF HEALTH SAVINGS ACCOUNTS

Health savings accounts are tax-advantaged medical savings accounts available to people enrolled in high-deductible health plans (plans with deductibles of at least \$1,300 for individuals and \$2,600 for families). Money contributed to a health savings account is not subject to federal income tax at the time it is deposited. For 2016, people with individual medical coverage can deposit up to \$3,350 in a health savings account while people with family plans can deposit up to \$6,750.

In addition to being an excellent way to cover out-of-pocket medical expenses, health savings accounts provide a number of other advantages. A recent *New York Times* article explored some of these advantages, including the fact that they can be used to supplement one's retirement.

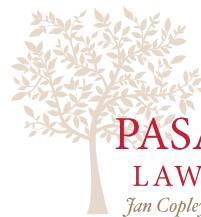
For example, if the money in a health savings account is not withdrawn to cover medical expenses or put to other uses, it can accumulate and



grow from one year to the next. That is, unlike flexible spending accounts for medical and dependent care expenses, health savings accounts don't have to be emptied each year.

If money in a health savings account is indeed used to pay medical expenses, the withdrawal is tax-free. If the money in the account is used for other purposes, there is a 20 percent penalty—but not if the holder of the account is 65 years of age or older. By providing attractive saving and spending options, health savings accounts are particularly useful for retirees. In addition, holders of health savings accounts do not have to begin withdrawing money in "mandatory

(CONT.)



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# THE BENEFITS OF HEALTH SAVINGS ACCOUNTS (CONT.)

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minimum distributions" when they turn 70½. Money can be left in the account for as long as the holder likes. In this way, health savings accounts can be used to augment other savings. Some advisors even go so far as to say that in certain cases, health savings accounts should be given higher priority than IRAs as a means of saving for retirement, in part because withdrawals for medical expenses are tax-free.

The benefits and flexibility of health savings accounts have made them increasingly popular with employers and the self-employed. According to the Employee Benefit Research Institute, in 2008 a total of \$6 billion in assets were held in approximately four million health savings accounts. In 2014, the number of health savings accounts had grown to ten million, with assets totaling \$22 billion. It is estimated that

within four years, fifty million Americans will have health savings accounts.

Of course, as with any retirement account, getting the maximum return on contributions depends on choosing the right investments. It is also important to note that health savings accounts cannot be opened independently if a person already has other medical coverage or is enrolled in Medicare. However, if you are eligible to open one, and can afford to make contributions to it, a health savings account can be extremely helpful after retirement.

To read the entire *New York Times* article, go to <http://www.nytimes.com/2015/03/12/business/this-health-account-can-add-to-a-nest-egg-too.html?ref=topics>

## IS YOUR ESTATE PLAN UP TO DATE?

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We've said it before, but as an estate planning firm dedicated to making sure your plan continues to address your needs and goals, we'll say it again: Don't let your plan become obsolete. It is vitally important to have us review your plan whenever changes have taken place in your life. Has your financial or medical situation changed since your plan was created? Have any of your children gotten divorced and remarried, or started families of their own? Do your beneficiary designations continue to reflect your wishes? Are all of your trusts properly funded? Your estate plan must take all of these issues, and more, into account for it to accomplish your goals. Contact us at your earliest convenience for a review of your plan.

# SHOULD ALL OF YOUR CHILDREN RECEIVE EQUAL INHERITANCES?



If you have more than one child, you've probably wondered if you should leave each of your children the same amount in your will or trust. While this seems like the best approach in most situations, there are some instances where it might not be the wisest strategy, or even the fairest. Factors you might want to consider include:

- One child earns considerably more than your other children
- One child has several children of his or her own, while another child does not
- One of your children serves as your caregiver, runs errands or helps you in other ways much more frequently than your other children

Sadly, you may have to ask yourself another, more troubling question: Has one of my children disappointed me so often, or behaved so irresponsibly in the past, that I feel like I must disinherit him or her entirely? In cases where one of your children suffers from drug dependency or severe mental illness, inheriting money may actually do more harm than good.

It's a tough decision, made all the more difficult by the fact that unequal inheritances can lead to hard feelings and even challenges to your will or trust. If you believe that the best approach is to treat your children differently with regard to inheritances, here are some ways to avoid potential problems.

First, talk to your children about your will (or trust) and its contents. This might not be an easy topic to bring up, but explaining your decisions to your

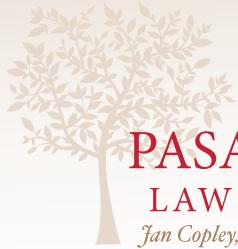
children will help them understand why you have made them. Such a conversation can go a long way toward lessening any shock and the potential for disputes that might occur if your children first learn about the contents of your will or trust after you are gone.

In situations where one of your children has consistently "been there for you" when you needed help around the house or running errands, consider rewarding him or her while you are still alive. Similarly, you might want to provide financial assistance to a child who is going through a difficult time, such as the loss of a job or a divorce.

Various clauses can be added to wills to reduce the potential for litigation. For example, you could stipulate that any disputes after you pass away must be mediated rather than litigated. A no-contest clause can stipulate that a beneficiary forfeits his or her interests if the will is challenged.

Perhaps most important of all, make sure to take steps when you create your will that show you are of "sound mind." These can include getting an evaluation from a doctor as well as a psychiatrist shortly before your documents are signed. If you are making changes to your existing will or trust, this precaution is even more important.

If you are struggling with the idea of unequal inheritances for your children, we can assist you with making these difficult decisions and help ensure that your wishes will be carried out.



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## A PERSONAL NOTE FROM JAN

Welcome to our first newsletter of 2016!

Our first article is about Health Savings Accounts (HSAs) and the flexibility they can provide for you if you have a high deductible health insurance plan. I really like it that HSAs don't have a "use it or lose it" provision — you can keep the money in your plan from year to year.

Our next article is about keeping your estate plan up to date. I get questions about this a lot and I find myself trying to fix problems that have arisen because people have not kept their plans up to date. And, of course, we provide our Client Care Program to help our clients with regular updates to their plans.

So, how often should you review your plan? If there haven't been any extraordinary events in your life, I suggest you meet with your attorney (hopefully me!) about every three years. If nothing else, you should update your powers of attorney, because many financial institutions are loath to honor powers of attorney executed many years ago.

Finally, we talk about leaving inheritances to your children. I have learned over the years that people don't like to be disinherited. You may think leaving a larger inheritance to a child who is less well-off is fair, but the successful child may feel you are penalizing him or her for being successful. The same reasoning applies to leaving bequests to grandchildren at the expense of someone who, for whatever reason, has not had children. I have also learned that sibling rivalry does not go away when a parent dies! If anything, it gets worse, and the only person who might be able to explain things is not around to smooth things over. So if you are going to leave different inheritances for different children, be sure to explain your thinking to your heirs while you can.

Have a wonderful Spring. Of course, if you have questions about any of this, please give me a call.

Jan Copley, Attorney at Law