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KEEPING YOUR FAMILY HEALTHY, WEALTHY & WISE

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IF THERE IS NO ESTATE TAX, DO YOU STILL NEED AN ESTATE PLAN?

President Trump’s campaign platform included a pledge to repeal the federal estate tax. The Tax Cuts and Jobs Act, signed by the president on December 22, 2017, includes provisions that double the estate tax exemption. The exemption for 2018 is \$11.2 million for individuals and \$22.4 million for married couples. According to the Tax Policy Center, less than 4,000 estates in the U.S. will have to file an estate tax return under the new laws, and of those only 1,800 (or fewer) will end up owing any money.

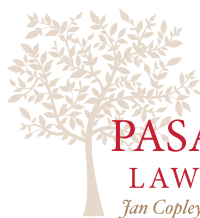
Whether or not the federal estate tax is ultimately repealed is anybody’s guess at this point, but one thing is certain—all of us need an estate plan even if such a repeal comes to pass. That’s because minimizing estate taxes is not the sole purpose of estate planning, far from it.

If a person passes away without a will or trust, his or her estate assets are distributed according to what is known as intestate succession.

(CONT.)



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IF THERE IS NO ESTATE TAX, DO YOU STILL NEED AN ESTATE PLAN? (CONT.)

As a result, “who gets what” follows strict guidelines, set by each state, with no regard to the actual emotional relationships between you, your spouse, your children, and members of your extended family. What you would have wanted is irrelevant to the state. Your assets must be distributed, and the state has devised a formula to do so.

Another reason you need an estate plan is to make sure that a person of your choosing has the authority to make medical and financial decisions on your behalf if you become incapacitated. Without your own plan, someone will petition the court to gain control over your assets and medical care. This could well be a person you would never have wanted to make important decisions like these for you. The result? You may not receive the level of medical care you would have wanted. Conversely, you might be subjected to medical procedures you would not have wanted to keep you alive in an end-of-life situation. Similarly, financial decisions might be made about the management of your assets that you would never have taken on your own.

If you have minor children, you must also consider what will happen to them if something terrible happens to you and your spouse. An estate plan allows you to name people of your choosing—people you trust—to raise and care for your children if you cannot.

Without a plan the court will decide who has control over your children. The court’s decision could lead to your children being raised in a place and manner you never would have wanted.

Your estate plan can also be designed to protect the inheritances of your children when they become adults. Your plan can protect their assets against remarriage, creditors, predators and other threats. In addition, your plan can pass your work ethic, values and sense of responsibility on to heirs, as well as help you leave a lasting legacy.

As you can see, the benefits of estate planning go far beyond minimizing estate taxes. Perhaps the greatest benefit of all is the peace of mind that comes from knowing you have a plan in place for the future.

If you’d like to learn more about how the Tax Cuts and Jobs Act will impact income taxes, deductions for child and elder care, and business taxes, here’s a link to a helpful article:

<https://www.thebalance.com/trump-s-tax-plan-how-it-affects-you-4113968>

HAVE YOU UPDATED YOUR PLAN LATELY?

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. The start of a new year is a great time to review your plan and make necessary changes.

Contact us at your earliest convenience for a personal meeting.



AN INTRODUCTION TO SPECIAL NEEDS TRUSTS

For many families with a special needs child, a special needs trust is one of the most important components of the family's overall estate plan. A properly designed and implemented special needs trust can provide a number of important benefits.

Maximize quality of life while protecting eligibility for government assistance.

A special needs trust allows you to provide funds that can help improve the quality of life for your special needs loved one without jeopardizing eligibility for necessary government assistance, such as Supplemental Security Income (SSI) and Medicaid. Funds in the trust can be used for all of the following and more:

- Medical procedures or therapies not available through government assistance
- Supplemental nursing home care and private companion services
- Travel expenses
- Entertainment expenses such as movies, concerts or electronic equipment
- Fees for guardians and attorneys
- Other expenses, services or products not provided by a government assistance program

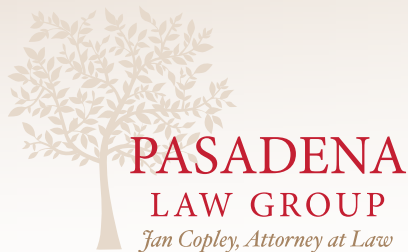
Lower costs for healthcare services.

Medical providers who have contracts with the state to provide Medicaid services generally deliver those services for much less than beneficiaries paying privately. In situations where the special needs trust must reimburse the state for services provided over the beneficiary's lifetime (the payback provision), reimbursement will be for this lower cost and avoid any penalties or interest.

Avoid the stress, expense and frustration of guardianship.

A properly designed special needs trust can avoid the need for a guardianship proceeding over property issues because trusts are recognized as a less restrictive means to guardianship. This in turn can protect the beneficiary from having to pay for the ongoing costs and formalities of maintaining a guardianship.

It is important to note that the various government assistance programs have their own set of rules and that these rules can be extremely complicated. An improperly designed special needs trust could jeopardize your loved one's eligibility for assistance from SSI and Medicaid. In addition, the care requirements of your special needs loved one will change over time, as will the financial situation of your family. For a properly designed special needs trust, you should work with an attorney who has experience in this complicated area of the law.



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A PERSONAL NOTE FROM JAN

Welcome to our first newsletter of the year!

The biggest news in the estate planning industry right now is the Tax Cuts and Jobs Act of 2017. The law is massively complicated and affects all kinds of income, estate and capital gains tax planning. The Republicans didn't quite come through on their promise to repeal the estate tax — that is, the tax on transfer of wealth when someone dies — but, in some ways, that was an empty promise anyway. Before the new tax act, the estate tax exclusion — the amount we are allowed to transfer without incurring a transfer tax — was \$5,490,000, which meant about 99% of the people in the United States weren't subject to the tax anyway. Another thing you may not know about the new \$11,180,000 exclusion is that it is not permanent; it reverts back to \$5,490,000 per person (adjusted for inflation) on January 1, 2026.

Besides, as the article says, a change in the tax laws is NOT a good reason to put off planning! If you own a home in California, you probably have significant wealth. If you don't plan, the State of California has a plan for you and it may not be what you want.

Additionally, estate planning is about more than death planning. It is about control, while you are well, upon your incapacity, and when you die.

It seems to me that one of the most important things you can do is to make sure you have appointed the right people to manage your money, care for you, and raise your children if you are not able to do so.

We also discuss special needs trust planning — that is, making provisions for a disabled individual to continue to receive public benefits even if that person inherits wealth. Why is this important? I think one key reason is that public benefits include health insurance! Although the Affordable Care Act prevents an insurer from denying coverage because of a pre-existing health condition, private health insurance may be prohibitively expensive. If a disabled person receives a modest inheritance and loses his or her benefits, he or she may not have sufficient income to cover his or her expenses and have to forego health insurance. Ironically, this may result in worsening the condition that caused the disability in the first place.

I hope this information is interesting and useful to you. I wish a wonderful Spring to all of my readers.

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