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THE IMPORTANCE OF FUNDING YOUR REVOCABLE LIVING TRUST

Revocable living trusts are one of the most powerful tools in the estate planner's toolbox and offer a number of advantages over wills. These include avoiding probate, reducing delays in the distribution of assets, greater control over your assets while you are alive and in the event of incapacity, greater privacy, and more. Unfortunately, many people who create a revocable living trust fail to fund it adequately.

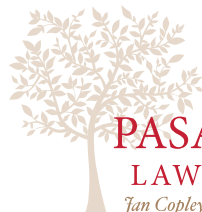
What do we mean by "funding" a revocable living trust? Essentially, it involves retitling your assets into the name of the trust, as well as making sure that the beneficiaries of any life insurance policies or retirement accounts coincide with the provisions of the trust. If you fail to fund your revocable living trust, your estate plan won't work as you intended and the trust will be only as valuable as the paper it is printed on. The consequences of not properly funding your trust include:

- Assets held outside the trust cannot be managed by the trustee. So, for example, if you become incapacitated, your loved

ones will need to establish a court-supervised guardianship or conservatorship to manage assets not held in your trust

- Assets held outside the trust are subject to probate, defeating one of the main benefits of creating the trust in the first place
- Assets held outside the trust may not go to your intended beneficiaries

The bottom line is this—make sure your revocable living trust is properly funded. And, be sure to keep it up to date, so that any changes in your personal and financial situation, together with those of your loved ones, can be taken into account. In this way you can be sure your revocable living trust is helping you to accomplish all of your goals and maintain complete control over your affairs. Contact us today to review your trust, determine that it is indeed properly funded, and make any necessary updates to ensure it addresses your current needs and goals.



WITHOUT AN ESTATE PLAN OF YOUR OWN, THE STATE WILL CREATE ONE FOR YOU. CHANCES ARE, YOU WON'T LIKE 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. It's an estate plan of sorts, and for most people, not a very good one.

It is important to note that certain assets are not subject to intestate succession laws. These can include funds in an IRA, 401(k) or other retirement account, proceeds from life insurance policies, property owned in joint tenancy or tenancy by the entirety, payable-on-death bank accounts, and securities in a transfer-on-death account.

Most other assets are transferred according to intestate succession. So, "who gets what" follows a strict formula, 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.

Who gets what is just one reason to have a plan of your own, designed and implemented by an experienced estate

planning attorney. The plan we can create for you not only lets you decide who gets what, but it can also allow you to make sure your wishes are carried out with regard to medical care and financial decisions in the event of incapacity, name guardians for your children, obtain assistance to pay for nursing home care, and much more.

Don't settle for the state's plan. Contact us today to discuss your particular needs, goals, and hopes for the future.



INCOME TAX BENEFITS AVAILABLE TO FAMILIES WITH SPECIAL NEEDS CHILDREN



As the cost to care for children with special needs continues to rise, parents need all the help they can get. Unfortunately, as many as 15 to 30 percent of parents with a special needs child are not taking full advantage of the tax benefits available

to them. Hundreds, perhaps thousands, of dollars in tax benefits and deductions are going unclaimed by some families. Let's take a look at some of the benefits available.

THE DEPENDENCY EXEMPTION

This exemption can be taken for a "qualifying child" or "qualifying relative." In 2013, the exemption amount was \$3,900. In addition, if the loved one with special needs is permanently or totally disabled, the exemption may be available regardless of his or her age.

SPECIAL SCHOOL INSTRUCTION

Certain expenses associated with attending a special school can be deducted as medical expenses. These include lodging, transportation, and meals. Costs incurred for treatment, care, supervision, training, and more can also be deducted if the special school provides them.

(CONT.)

INCOME TAX BENEFITS AVAILABLE TO FAMILIES WITH SPECIAL NEEDS CHILDREN (CONT.)

CAPITAL EXPENDITURES

Capital expenditures to a residence that are undertaken to provide for medical care or assistance with physical limitations (such as an entrance ramp, railings, custom bathing facilities, etc.) may be deductible as medical expenses.

CONFERENCES AND SEMINARS

Registration fees and travel expenses to attend conferences and seminars dedicated to issues essential to the care of a special needs child may be deductible.

IMPAIRMENT-RELATED WORK EXPENDITURES

If a special needs child gets a job later in life, some expenses related to maintaining his or her employment may be deductible.

These are just some of the income tax benefits available to families with special needs children. You can learn more by reading a recent article published in the *Journal of Accountancy*. Just visit <http://www.journalofaccountancy.com/Issues/2013/Jun/20137378.htm>.

If you are caring for a child with special needs, you are not alone. Our firm is always available to discuss special needs planning tools and strategies, including special needs trusts. Give us a call at your earliest convenience.



WHY YOU NEED ADVANCE DIRECTIVES

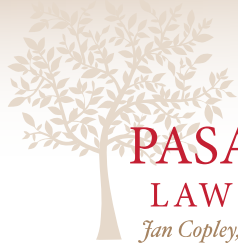


Advance directives give a person of your choosing the authority to make decisions on your behalf about the type of care you want in the event of incapacity or an end of life situation. Your directives may contain instructions about the types of medical treatments you would or would not want to be taken to keep you alive if you are in a coma or vegetative state.

In effect, advance directives allow you to decide, while you are alive and well, the type of care you want and the person you want to make the decisions for you.

They allow you to better ensure that your wishes will be followed, and spare your loved ones from making such important decisions on your behalf without knowing what you would have wanted.

Nobody wants to think about advance directives, but the consequences of not creating them far outweigh the difficulty of creating them in advance. We invite you to contact us for experienced counsel about the directives available and the ideal person or persons to serve as your agent.



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A PERSONAL NOTE FROM JAN

Welcome to our newsletter for the second quarter of 2014.

Our first article talks about the importance of “funding” your trust — that is, making sure title to your assets is coordinated with your trust. Early on in my estate planning career, one of my clients talked about friends whose trusts didn’t “work.” At the time, I wasn’t really sure what she was talking about, but now I suspect she was referring to people who had trusts but didn’t change title of their assets. And, in fact, many people don’t realize that if you don’t change title to your assets, the trust won’t work — and your successors will have to go through the court process of probating your assets.

We also talk about what happens if you don’t plan. Your state has a plan for you, but it may not be what you have in mind. For instance, California law provides that your assets will go directly to your spouse (and, potentially, to his or her new spouse), or to your children outright when they turn 18. Of course, with proper planning, you can avoid these kinds of problems!

Did you know that parents of special needs children might have special income tax deductions available to them? Check out our newsletter for descriptions of some.

And, finally, we talk about advance directives — known in other states as “living wills.” These are the documents by which you leave instructions about your healthcare and end-of-life decisions if you cannot act on your own. Advance directives are crucial to planning — remember the court battle over Terri Schiavo? I’ve had clients thank me for advance directives I drafted for their loved ones; I have been told that because our advance directives included clear directions for end-of-life decisions, my clients had instructions to follow and could be at peace with the decisions they made.

I hope you have a wonderful quarter! Of course, if you have any questions, please let me know.

Jan Copley, Attorney at Law