

OCTOBER 2024

Piece Of Mind

*In order for you to have peace of mind,
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Beyond the Headlines

SHEDDING LIGHT ON PARTIAL TRUTHS IN ESTATE PLANNING



We're constantly bombarded with information from social media, the news, professionals, and friends and family. While some things are clearly false, many statements are only partial truths. On its own, this information may be legally accurate, but it misses critical details that could lead to poor decisions — especially when it comes to estate planning. Even credible sources can provide information that's correct but incomplete. Without the full picture, you risk making serious mistakes.

Let's examine five common partial truths and illuminate the larger picture so you don't accidentally make uninformed decisions.

Partial Truth: The annual gift tax limit is \$18,000, meaning you cannot gift more than \$18,000 to one person in a single year without incurring tax consequences.

Full Truth: While there is an annual \$18,000 gift limit to any individual, if you do exceed this limit, it doesn't automatically mean you owe taxes. You simply need to report the excess gift amount above \$18,000 to the IRS, which will deduct it from the current lifetime exemption of \$13.61 million. Which means if your total lifetime gifts don't exceed the limit, you won't have to pay any gift taxes.

Partial Truth: Gifting your home to your children while you're alive can help avoid probate after you pass.

Full Truth: It's true that your children can avoid probate on your home if you transfer it to them while you're alive. But did you know that doing so can create new problems, such as triggering a property tax reassessment, capital gains tax issues, and potential liability problems for your children? While avoiding probate is important, we don't want to solve one problem that creates three new ones. Leaving a house in a trust to transfer by inheritance when you die will still avoid probate, and (with very few exceptions) is a far better option than transferring it while you are still alive.

Partial Truth: Every Trust must have its own tax ID number.

Full Truth: While it is true that every Trust needs a tax ID number, you're actually allowed to use your social security number if your trust is revocable and you are alive. This way you only have to file a 1040 tax return, rather than an additional tax return for the Trust, known as a 1041.

Partial Truth: When someone passes away, you must get the real estate appraised.

Full Truth: When someone passes away, their real estate receives a new adjusted cost basis, sometimes called a step-up in basis. Most of the time it's necessary to get an appraisal to prove that new cost basis. However, there are a few exceptions when an appraisal is not

necessary. For example, if you sell the property within six months of the date of death, you can use the sales price as the cost basis.

Partial Truth: Inherited assets are considered separate property and can never be split in a divorce proceeding.

Full Truth: Inherited assets start as separate property, but they are often commingled with their spouse, sometimes unintentionally. For example, you inherit a home and then move in with your spouse. The following year you and your spouse use community property assets to remodel the property. Or your spouse spends their own money to pay the property taxes and insurance premiums. Maybe you deposit an inheritance check into a joint account with your spouse. These actions can turn your separate property into community property, which then get divided in a divorce.

In today's world, understanding the whole picture is important to make informed decisions — especially in estate planning. While partial truths can provide a glimpse into the facts, they often leave out important details that could significantly impact your financial and legal understanding. By digging deeper and considering all aspects, you can better protect yourself and your loved ones from costly mistakes.

- Jim Preston

Protecting Loved Ones: A Cautionary Example



We recently experienced a troubling situation with one of our clients, which hopefully can be a good reminder on the importance of the disability panel. Here's what happened. Many years ago, our client created her trust and added her bank accounts to the trust. She had also added her daughter to the trust accounts as her silent partner co-trustee.

Over time, our client began showing signs of dementia. The daughter reached out to our office and expressed concern that her mom had made some questionable financial decisions and she was worried about things getting worse in the future.

We began assisting the daughter right away. First, we explained how the disability panel works and prepared a document called a disability certificate, which our client's children would need to sign. Next, after the children had signed the certificate, we instructed the daughter to give the signed certificate to the bank so they could remove her mom as trustee from the account. This would prevent the mom from causing any future harm to her finances.

But here's where things went wrong:

When the daughter arrived at the bank, they informed her that she was already named as a co-trustee on the trust accounts with her mom. They explained that she already had access to the trust accounts and could pay her mom's bills.

The daughter called our office and said, "I don't need to remove my mom from the account because I'm already a co-trustee and can manage her bills." While this was true, we explained that although she could pay the bills, it didn't stop her mom from making potentially harmful financial decisions.

The daughter told us that she didn't believe her mom would ever do anything that would cause harm to her finances, and the daughter decided (based on the bank's recommendation) not to remove her mom from the bank accounts.

About six months later, the daughter contacted our office in tears because her mom had lost a significant amount of money. The daughter shared with us what had happened. Three weeks earlier the mom was online when she received a notice that her computer had a virus and she needed to call customer support immediately. Unfortunately, it would turn out to be a scam. Over the next week, the scammers guided her through a process that resulted in her withdrawing about \$45,000 from her bank accounts. The scammers then sent a courier to her home to collect the money, which was never seen again.

The daughter contacted our office wondering how this could have been prevented. We explained that because her mom was never removed from the bank account, she still had access to the account. This is why the disability panel can be so important and why we always recommend removing a trustee when they lose the ability to make sound decisions.

We're not sharing this story to blame the daughter for what happened. She did what she thought was best for her mom based on the advice the bank was giving her. And the bank probably meant well, but they didn't recognize the dangers of what could happen.

However, this is a good reminder that when a trustee starts to lose the ability to make sound decisions, it's important to follow the terms of the trust and make sure the trust assets are protected. The Life Plan has been carefully designed to solve the problems that we face in estate planning today and can help ensure things go according to plan.

Eyes to the Sky



A Family Guide to Birdwatching

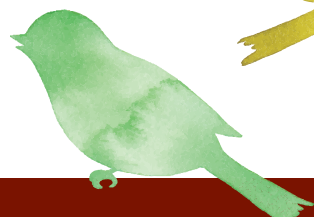
The great outdoors is full of incredible wildlife and nature, just waiting for us to get out and explore. Whether you're going to your local arboretum, a national park, or even your own backyard, you can always find something unique to look at. Sometimes, turning toward the sky will provide an amazing opportunity to see something special.

We can find birds almost anywhere. If you're looking for a new way to keep your kids entertained while educating them, looking for birds can be a great family bonding activity. Start by researching the birds in your area, both permanent residents and those migrating. You'll likely see common birds in your backyard or around the neighborhood, but you may need to travel to a local park to see some of the more unique species.

At first, your kids may need some help finding different birds. Binoculars might be too difficult to use, so it's up to you to point them in the right direction. Look out for nests, cracked seeds, and other signs indicating birds are nearby. You don't have to use only your eyes when searching the skies and trees for birds; listen intently, too! Tracking birds through their calls will help alert you to the species you're searching for and where to look.

To keep your kids' attention as you bird watch, you may need to make a game out of it. Create a scavenger hunt to find five birds in your hometown or the area you're visiting. You can get specific with unique species or keep it broad by having them look for hawks, ducks, etc. Let your child take the lead, encouraging them to point out birds they see or hear instead of relying on you to tell them. You can even encourage your kids to mimic the different birdcalls they hear.

Birdwatching is a great way to get your kids outdoors exploring nature. It could even lead to a full-time passion or career in the future.



Sudoku

			1					
	1						3	9
	7			9	8			6
7	8		4				6	
			7	1	2			
	2				6		9	5
9		7	6				5	
6	3						8	
					7			

Solution on Pg. 4



PUMPKIN PIE FRENCH TOAST

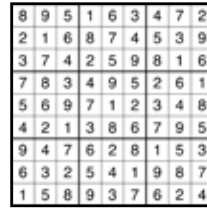
Inspired by AllRecipes.com

Ingredients

- 1 1/2 tsp vegetable oil, or as needed
- 1/2 cup half-and-half
- 1/4 cup canned pumpkin purée
- 3 large eggs
- 1 tsp ground cinnamon
- 1 tsp vanilla extract
- 1/4 tsp pumpkin pie spice
- 1/4 cup finely chopped walnuts
- 8 slices day-old bread
- Maple syrup, to taste

Directions

1. Lightly oil a skillet and heat over medium heat.
2. Whisk half-and-half, pumpkin purée, eggs, cinnamon, vanilla, and pumpkin pie spice together in a bowl. Stir in walnuts until evenly distributed.
3. Place 1 slice of bread in the bowl and let it soak briefly to coat both sides. Lift bread to let excess liquid drip back into the bowl, then transfer to the hot skillet.
4. Cook for 2–3 minutes or until golden brown, then flip and cook the other side until done.
5. Stir batter to redistribute walnuts and repeat with other slices of bread, cooking in several batches if necessary.
6. Serve warm with maple syrup.



Inside

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The information provided in this newsletter does not, and is not intended to, constitute legal advice; instead, all content contained herein is for general informational purposes only.

DISCOVER VIENNA

From Sublime Music to Museums of Death

If you yearn to visit a European city rich in imperial grandeur, music history, and macabre memorials to death, Vienna is for you. And that odd mix of attractions reflects only a small part of the city's diversity.

This former frontier city of the Roman Empire expanded to become the glittering capital of a great empire for centuries. The Habsburg dynasty's sponsorship of the arts made Vienna a global center of classical music. Home to Beethoven, Vivaldi, Mozart, Mahler, and Strauss, Vienna hosts frequent performances of classics by these and other composers.

The city's museums, churches, and charnel houses offer macabre tributes to death. Piled on the floor and lining the walls of a charnel house beneath St. Stephen's Cathedral are the skulls and other bones of 11,000 people, according to Atlas Obscura. The Habsburgs created elaborate containers to preserve their embalmed

entrails after death. The city's Crime Museum houses relics of famous murders, including the mummified head of a known killer.

Fortunately, the Habsburgs were readers, too. The Austrian National Library, a baroque masterpiece, is home to 2.5 million books. In a Gothic twist, library employees may slip silently in and out of hidden passageways behind the stacks if you watch closely.

The city is also noted for its intellectual history. Sigmund Freud lived and worked in Vienna, which led to its nickname, "City of Dreams." The philosopher Ludwig Wittgenstein also worked in Vienna, where he made many contributions to logic in mathematics and language.

On the lighter side, Vienna's Spanish Riding School offers a unique opportunity to see its famous Lipizzaner horses perform dressage. The Imperial Butterfly House is a tropical oasis



housing about 400 beautiful insects. Visitors to the "lost garden," a vast topiary maze at the Habsburgs' summer palace, can enjoy tales of courtiers frolicking among the web of manicured hedges — not only for playful exploration but also for illicit romance.

Taken together, these diverse attractions promise travelers to Vienna a visit to remember!