

## 5 Estate Planning Steps To Benefit Your Elders

**E**state planning normally involves strategies to preserve wealth for a family's younger generation. But it may also involve elderly relatives—your parents and in-laws or maybe an aunt or an uncle—who could use your assistance. Indeed, this older generation might need your help even more than your offspring who are already making their way in the world.

Consider these five steps to help your older relatives.

1. Have “the talk.” As difficult as it can be to sit down with a parent to talk about money and end-of-life decision-making, there's really no alternative to having a candid discussion of these sensitive matters. Your mom and dad may not like what you have to say, but if you start by really listening, giving them



the opportunity to provide their point of view, it could launch a productive discussion. Try to address tough issues such as the possibility of relocating to an assisted-living facility or a nursing home, and don't be surprised if things get heated and emotional. Including other family members, such as your siblings, in this discussion will also be helpful, and whenever possible, have the family meetings in person rather than over the phone.

2. Create a contact list. You've probably already done this for yourself, but compiling all of the names, addresses, phone numbers, and email addresses of crucial contacts

for your older relatives can be particularly crucial. These could include financial advisors, attorneys, accountants, insurance agents, physicians, and dentists. These days, creating a digital version of the list and storing it on multiple computers makes the most sense.

3. Gather financial information.

Along with a contact list, information about the relative's financial affairs and investment holdings is also essential. You'll want to know about bank and investment accounts, 401(k) or other retirement plan accounts and IRAs, life insurance policies, etc. Note current

balances, account numbers, passwords, and information on Social Security benefits. You may find out that your relative has more assets than you'd thought. Use this information to

formulate a plan for the future.

4. Create the necessary documents.

Once everyone agrees on how to move forward, you may need to complement a will or other existing legal documents with new ones. And those your relative has may need to be revised or updated. Such documents may include:

- A will: The centerpiece of an estate plan controls how most worldly possessions—a house, cars, jewelry—will be distributed. A will also specifies an executor of the estate. This might be you, another relative, or

## Are You “Rich” Or Not? New Survey Hits The High Points

**D**o you consider yourself rich? If you own a couple of mansions, a fleet of luxury cars, and financial accounts reaching high into the millions, it may be easy to answer that question. But other well-to-do people might struggle with the issue of whether they are “rich” or not.

To get a better grasp of perceptions, Yahoo Finance recently posed a series of questions about personal wealth, to which more than 25,000 people responded. The survey concluded that people call themselves rich if they have a median income of \$425,000 and a net worth of \$5 million.

But this exercise also turned up other interesting results. For instance, the median amounts respondents required to consider other people rich were an income of \$500,000 and a net worth of \$10 million. In other words, more people called themselves rich than were actually rich by their own standards. On the other hand, it's noteworthy that people earning \$300,000 a year with a couple of millions of dollars of assets didn't think themselves rich—far from it.

But even if you're not rich in your own mind, you may get there by sticking to a financial plan designed to increase personal wealth. And, if you're already rich, follow the same approach for preserving your status. We can help you make provisions for the future.

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# Foreign Intrigue In Estate Planning

**A**re you married to someone who isn't a U.S. citizen? If you are, special estate planning considerations may come into play.

Whether your spouse is a citizen or not, you can use the same basic estate planning documents without any reservations. You can create a will bequeathing assets to your spouse, name him or her as a beneficiary of retirement accounts, and designate your spouse as the agent under a power of attorney. No problems there.

But things get trickier when your spouse inherits assets. Normally, property transferred from one spouse to another, during your lifetimes or when one of you dies, is completely exempt from gift or estate tax thanks to an unlimited marital deduction. But that doesn't apply to non-citizen spouses.

Instead, you can make use of a \$5.49 million unified gift and estate tax exemption that

covers transfers to any beneficiaries, including a non-citizen spouse.

In addition, you can give a non-citizen spouse as much as \$149,000 (in 2017; the amount is indexed for inflation) in gifts during your lifetimes.

Other ways to avoid being subject to the rules for non-citizen spouses may include:

1. Have your spouse become a U.S. citizen. This can be an obvious solution. It allows your spouse to qualify for the unlimited marital deduction by the time your federal estate tax return is due.

That's generally nine months after death, but the IRS may grant a six-month extension.

Because it takes time to obtain citizenship—there is a waiting period before you can even apply—it's important to start sooner than later.

2. Rely on a QDOT trust. With a qualified domestic trust (QDOT), you can leave property to the trust, rather than directly to your spouse. Then your spouse can receive income from the QDOT that is exempt from estate tax.

But there are a couple of extra wrinkles. If your non-citizen spouse withdraws principal from the QDOT, it will be taxed like a distribution from your taxable estate, which can increase estate tax liability. There are also limitations on investments made by QDOTs. In some cases, it could make sense to complement a QDOT with other kinds of transfers to your spouse. Finally, a QDOT can be structured to end if your spouse becomes a U.S. citizen. ●



## Watch Out For “Grandparent Scams”

**I**t started innocently enough. Bill Frieland picked up the phone one recent morning at around 10 am. The person on the line said, “Hi Grandpa, it's Jason.” To Bill, the voice sounded close enough to his grandson's that he didn't worry. The two chatted amiably a few minutes about family and school and nothing else in particular.

But then “Jason” dropped the hammer. He told Bill that he had been in a drunk driving accident in a neighboring state. Someone else had been injured and Jason needed \$1,950 to keep his name out of the records. An attorney who was supposedly advising

him could make it all go away for that fee. But Jason said he needed the money right away and that he was afraid to tell his parents. And he asked that Bill not tell anyone else about it because he was ashamed.

Bill was almost convinced and ready to ante up. But when the caller requested the money, there was something about his voice that made Bill pause. He had his wife call Jason's personal cellphone from her own phone while Bill was still talking to the person asking for money. It turned out Jason was safely at home, hadn't left the state in weeks and had not been in any

accident. When Bill confronted the caller with this information, the imposter quickly hung up.

Bill was fortunate that he didn't fall for this “grandparent scam,” but many others haven't been as lucky.



# 17 Year-End Moves To Preserve Your Tax Benefits

**B**arring any tax legislation that takes effect this year, your best overall tax strategy in 2017 is much as it would be in any year: to postpone receiving income that will be highly taxed and increasing deductions to offset current income. The less income you realize, the lower your bill. In that vein, here are 17 smart year-end tax moves to consider.

1. Harvest capital losses. If you sell securities at a loss before 2018, you can use those losses to offset gains from other sales—including those from selling stock or other holdings you've owned for a year or less. Those would otherwise be taxed at the high rates for ordinary income. Losses that exceed your gains can offset up to \$3,000 of ordinary income, and you can deduct additional amounts in future tax years.

2. Harvest capital gains. Meanwhile, if you decide to take profits on securities you've owned for more than a year, the maximum tax rate on these long-term gains is 15%, or 20% if you're in the top tax bracket for ordinary income.

3. Max out on the 0% rate. Even better than the usual 15% or 20% tax rate on long-term gains, you can benefit from a 0% rate on long-term capital gains that applies to income in the 10% and 15% tax brackets. If you suffered a business loss this year or received less income than usual for another reason, there may be no tax pain on your long-term gain.

4. Buy dividend-paying stocks. Most dividends are taxed at the same favorable tax rates as long-term capital gains.

However, to qualify for this tax break, you have to have held the stock for at least 61 days.

5. Watch out for "wash sale rule." Under this rule, you're prohibited from deducting a loss from a securities sale if you acquire substantially identical shares within 30 days. The easiest way to stay out of trouble is to wait at least 31 days to buy similar holdings.

6. Minimize the NII surtax. A 3.8% surtax applies to your net investment income (NII) or the amount by which your modified adjusted gross income (MAGI) exceeds \$200,000 for single filers and \$250,000 for joint filers, whichever is less. Keep those thresholds in mind as you consider ways to minimize your income for the year.

7. Give 'til it hurts. As long as you keep proper records, you generally can deduct charitable donations made as late as December 31, even if you use a credit card and aren't billed until next year. Special rules could limit this deduction.

8. Seek a Roth conversion. If you have funds in a traditional IRA, you could transfer the funds to a Roth IRA. You'll pay income tax on the amount you convert but future withdrawals are generally tax-free. So, you pay tax now to save later. Stretching out conversions over several years can reduce the tax bite.

9. Bulk up 401(k) contributions. By increasing deferrals to a 401(k) plan, you reduce your taxable income. For 2017, you can defer up to \$18,000 (\$24,000 if you're 50 or older). Your contributions accumulate without current tax.

10. Avoid RMD penalties. If you're over age 70½, you usually must take required minimum distributions (RMDs) from employer retirement plans and traditional IRAs each year. The penalty is 50% of the required amount if you miss the December 31 deadline.

11. Donate stock to charity. You can deduct the fair market value of stock donated to charity if you've owned it more than a year. That can be a good way to sidestep taxes on shares that have appreciated.

12. Sidestep the AMT. Certain types of "tax preferences" may increase what you owe under the alternative minimum tax (AMT) calculation. If it otherwise makes sense, try to postpone preferences to 2018.

13. Bunch medical expenses. Generally, you can deduct medical expenses only to the extent that they exceed 10% of your adjusted gross income (AGI). When possible, shift expenses to the tax year you expect to clear the AGI hurdle.

14. Shift family income. If you transfer taxable investments to a child taxed at a lower rate, your family may pay less overall. However, investment income of more than \$2,100 received by a dependent child in 2017 may be taxed at your top tax rate.

15. Use installment sale method. You can normally defer tax on the sale of real estate if you take payments over two years or longer.

16. Pay next semester's tuition. If you qualify, college tuition paid in 2017 may result in a tuition deduction or a higher education credit, depending on your situation. But these tax breaks are phased out for high-income parents.

17. Get in the holiday spirit. Finally, you can give each family member up to \$14,000 this holiday season without owing any gift tax. Using this annual exclusion also reduces the size of your taxable estate. ●

Scammers are able to find out personal information and sound enough like the people they are impersonating to be believable. They target elderly people and pull on their heartstrings with a story about needing cash in a hurry.

If you get a call that sounds suspicious, the worst thing you can do is to help out the caller by referring to other confidential information (for example, the names and locations of other family members). Here's what the Federal Trade Commission (FTC) advises:

- Resist the urge to act immediately no matter how desperate the caller's plight appears to be.

- Verify the person's identity by asking questions a stranger couldn't answer.
- Call a phone number for your grandchild that you know is legitimate.
- Check out the story with trusted family members or friends even if you've been told to "keep it a secret."
- Don't wire money, send a check or money order, or use an overnight delivery service or courier to get cash to your "grandchild."
- Finally, the FTC advises consumers to report the incident at [ftc.gov/complaint](http://ftc.gov/complaint) or call 877-FTC-HELP. ●



# This Tax-Free Rollover Goes Right To Charity

**T**he tax law provides a unique planning opportunity for retirees who have to take required minimum distributions (RMDs). You're allowed to transfer funds directly from your traditional IRA to a qualified charitable organization without paying any federal income tax on the distribution. Although the contribution isn't tax deductible, it does count toward your RMD for the year.

This tax break—sometimes called a “charitable rollover”—had expired and been reinstated several times. Thanks to the Protecting Americans from Tax Hikes (PATH) Act of 2015, however, the tax provision is now permanent.

Under the PATH Act, someone who's at least age 70½—the age at which RMDs must begin—can instruct an IRA custodian to move up to \$100,000 of funds from that person's IRA to a favorite charity. A married couple can transfer up to \$200,000, assuming they're both old enough to begin taking RMDs.

Can't you accomplish the same result by taking a taxable IRA distribution and then donating that

amount to charity? Not exactly. There are several other factors to consider, including annual limits on deductions for donations to charity, plus potential tax return complications. What's more, the direct rollover is valuable to non-itemizers who aren't eligible to deduct charitable contributions. And this method is simpler.

There are, however, a few more details to attend to with this approach.

To qualify for the tax exclusion, the distribution must be made directly from the IRA trustee to a qualified charitable organization.

You're not allowed to use the funds temporarily before transferring them to the charity's coffers.

In addition, the contribution must otherwise qualify as a charitable donation. If the deductible amount decreases because of a benefit received in return — for example, the value of a dinner at a fundraiser — or the

deduction would not be allowed due to inadequate substantiation, you can't take the exclusion.

A bonus is that you're required to start taking RMDs in the year after the year in which you turn age 70½. If you take a charitable rollover, you can meet this obligation without paying the usual tax on an IRA distribution.

This tax law provision also applies to Roth IRAs, though it may not be

advisable to take this approach with a Roth. Roth IRA distributions to account holders over age 59½ are usually tax-free, and it doesn't make sense to use money that

isn't taxed to make a donation that isn't deductible. But a portion of a distribution may be taxable if your Roth hasn't been in existence for at least five years. In that case, it might be reasonable to transfer the taxable amount directly to a charity. ●



## Steps To Benefit Your Elders

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- a professional you trust.
- Power of attorney: This document authorizes someone to act on behalf of the elderly person. The most common version is a durable power of attorney that will remain in effect if the person is incapacitated. This is a vital component of most estate plans.
- Living trust: A living trust can serve as a supplement to a will. The assets transferred to a living trust don't have to go through the probate process that may be required for possessions transferred through a will and that can be drawn out and

expensive. In addition, assets in a living trust are shielded from public inspection.

- Living will/health care directives: These documents provide guidance for end-of-life decisions. You'll want to make sure your relative's doctors and others also have copies so they can act according to your loved one's wishes.

Finally, don't forget about beneficiary designations for retirement plans, IRAs, and life insurance policies—they supersede provisions in a will and are important to keep up to date.

5. Look for ways to minimize

estate and gift taxes. Assets transferred to relatives or friends are shielded from federal estate and gift taxes both by unlimited marital deduction for gifts to spouses and a unified estate and gift tax exemption of \$5.49 million in



2017 covering transfers to anyone who's not a spouse. Your older relative can also make yearly gifts of as much as \$14,000 to multiple recipients.

Estate planning for an elderly relative will inevitably be intertwined with your own plan, so don't do things in a vacuum. Your professional financial advisor can steer you in the right direction. ●