

your **estate**matters

© AAEP

When Is the Best Time to Start Planning for Next Year's Taxes?

Actually, Right Now

Tax time is here, which means you're knee-deep in pulling together the information needed to file your 2018 taxes.

While you can still make contributions to an IRA or a Health Savings Account (HSA) and reap the tax advantages, unfortunately that also means there are few other options available to reduce your 2018 tax burden.

However, you can start planning for 2019 now. Start by setting up better record-keeping systems. It's easy to gather receipts, tax payments, bank statements, etc.

What about things like energy efficiency tax credits? Many Energy Star rated products (go to energystar.gov for a complete list) qualify for federal tax credits. For example, if you install a new heat pump you could qualify for a \$300 tax credit. The same holds true for other expenses like childcare costs, education costs, charitable contributions, qualified business expenses and home office expenses.

Your accountant can provide a tax-preparation checklist to help you stay on track. Don't have an accountant? That's ok, there are many checklists widely available online, which you can find simply by searching for "tax reporting checklist."

Have you considered the timing of certain expenses? For example, qualified medical expenses can be deducted if they exceed 7.5 percent of your adjusted gross income and you itemize your deductions. If a child is scheduled to get braces next year, and you have already incurred sizable healthcare costs this year, it could make sense to move the orthodontic procedure to December and "bundle" those expenses in order to exceed the 7.5 percent threshold.

Finally, don't forget to evaluate the tax impact involved in selling a major asset. Holding a stock for over one year allows you to qualify for the long-term capital gains rate of up to 20 percent depending on your income. Sell earlier and the gain is taxed as ordinary income at a rate of up to 37 percent, depending on your income.

That's why your 2019 tax year planning should start now—not next April.

Scent Preservation Kits? They Really Work

Caring for others who are unable to care for themselves is hard enough. Imagine though if someone you love accidentally wandered off and couldn't find their way home. How would you find them?

In that situation, a scent preservation kit could be a great solution. Scent-preservation kits usually include a sterile gauze pad and a special jar. Someone's scent can be preserved for years with a simple swipe of the gauze under their arm.

That's exactly what happened last year in Florida. When a woman with dementia went missing from her home, a police dog smelled her scent preservation pad and was able to locate her in minutes.

You can buy kits online or even make your own. If a loved one goes missing, it might be the quickest way to find them. Just make sure you have a treat for the amazing dog who comes to their—and your—rescue.

The Ins and Outs of 529 Plans

Saving for College Can Also Be Great for Estate Planning

Here's what you may know about 529 plans: a 529 plan is a tax-advantaged investment vehicle designed to encourage saving for future education costs. There are two types of 529 plans: prepaid tuition plans and education savings plans. A prepaid tuition plan covers future tuition costs, typically at in-state public institutions. Education savings plans are used to save money for tuition, room and board, mandatory fees, and other education-related expenses.

In short, a prepaid tuition plan may be used only to pay tuition; funds in an education savings plan can be used for any qualified expenses.

While contributions don't qualify for a federal income tax deduction, many states offer a deduction for a contribution to a 529 plan. Withdrawals are tax-free too, as long as the funds are used to pay for qualified education expenses.

Here's what you may not know: 529 plans are not just great college savings vehicles, but can also be used to pay for quali-

fied primary and secondary school expenses. You can distribute up to \$10,000 per year per student for qualified primary and secondary expenses.

There's one other thing you may not know about 529 plans: they can be great estate planning tools. While the funds held in a prepaid tuition plan typically grow at a marginal rate, many education savings plans have a wide variety of investments available. Best of all, the gains are tax-free—That makes a 529 plan much like a self-directed IRA. Because funds held in a 529 plan are considered to be outside the taxable estate, this makes them one of the few investment vehicles that allow you to maintain control of your assets while not having them taxed as part of your estate at your death.

Keep in mind different states treat 529 plans differently for Medicaid purposes. Many institutions take 529 plans into account when determining suitability for financial aid. Still, 529 plans can be a great primary or secondary education savings tool—and a solid estate planning tool, too.

Does a Child You Love Have Special Needs?

Consider a Supplemental Needs Trust and an ABLE Account

When a child has physical, emotional, or mental challenges, careful estate planning is crucial. That's why creating a plan that includes a Special Needs Trust can help preserve a child's eligibility for government benefits and other needs-tested programs, while ensuring funds are available to cover gaps not provided for by those programs.

Setting up an Achieving a Better Life Experience (ABLE) account, also known as 529A or 529 ABLE, can help with covering additional needs or services. These accounts are savings programs for certain disabled individuals that do not affect eligibility for Medicaid. Further, to the extent that the account has less than \$100,000 in it, it won't affect eligibility for Supplemental Security Income (SSI) either. They are intended for individuals disabled by the age of 26, and allow for a maximum contribution of \$15,000 per year. The donor then becomes the owner of the account, and funds can be used for expenses like housing, transportation, education, employment training and support, assistive technology, and even funeral and burial expenses.

Keep in mind, gifts to the account are tax-free, as are withdrawals if used to pay for qualified medical expenses. Income earned within the account is also tax-free.

For example, say your son requires special care. Due to his condition he qualifies for Medicaid and receives aid to help with his daily living and medical needs. You wish to leave him money to help make his daily life better, but if your retirement funds pass directly to your son, receiving those assets may disqualify him from receiving Medicaid benefits.

Funds in an ABLE account could be used to pay for "in-kind support and maintenance" (ISM) expenses. Generally speaking, ISM includes income that is not earned and that results in food, shelter, and basic living expenses. Then, funds in the Special Needs Trust could be used to pay for other expenses like recreation or transportation—things that improve your son's quality of life.

By creating a Special Needs Trust and an ABLE Account and providing assets to supplement benefits received from government programs, the trustee can deploy those funds for the best use and comfort of the beneficiary and pay for items and services Medicaid will not.

Contact our office to set up a Special Needs Trust and an ABLE Account. When used properly, these tools ensure your child will receive funds and assets without creating unwanted problems. That's the best way to care for your child with special needs without compromising the benefits he or she is entitled to receive.

Can You Guess this Legacy?

With 77 Hot 100 hits, 17 Top Ten pop singles, 100 R&B hits, and 20 number-one R&B singles, she was the most charted female artist in history. "Respect," arguably her most famous song, has been used dozens of times in films, on television, and referenced countless times in popular culture.

Aretha Franklin's legacy as an artist is assured, yet the legacy her estate will pass on is less certain. Aretha passed on without an estate plan. According to intestate succession laws in Michigan (where she lived when she passed away)

her four children—including one with special needs—should receive equal shares. Her estate is worth an estimated \$80 million and the potential for claims that result in legal battles could result in up to 30 percent of her estate going towards those legal fees and claims. That's 24 million dollars! Even if it doesn't end up eating the full 30 percent, the process of settling her estate is likely to be much more expensive and time-consuming than if she had an estate plan in place.

What will your legacy be?

Important: Changes in Your Life Could Impact Your Estate Plan

Do any of the following changes apply to you?

- ☐ **Successor Trustees & Power of Attorney Agents**—The designated person(s) who oversee your estate at death, or make financial and health care decisions on your behalf if you become incapacitated. Is there anyone in your life better qualified to fill this role?
- ☐ **New Life Circumstances**—Have any changes occurred with you or your family? (i.e. births, deaths, health changes, divorce, remarriage, or adoption)
- ☐ **Your Assets**—Do you have any assets that are not titled under your trust or have you acquired new assets that do not have the protection of your trust? Do you have IRA or other retirement accounts that do not have proper beneficiary designations?
- ☐ **Investments**—Are you unsatisfied with the way your investments are currently being handled? Would you like a second opinion?
- ☐ **Medicaid Planning**—Average Nursing Home stays cost over \$8,000 each month in Florida. Do you want to learn more about how you can qualify for Medicaid benefits?
- ☐ **VA Planning**—With proper planning, Wartime Veterans and their families can use VA benefits to pay for assisted living care and in-home care. However, the VA recently released new law changes that will make this planning more difficult. Is getting your long-term care plan done now important to you?

If you answered YES to any of the questions above, we recommend setting up a FREE review appointment to discuss your unique planning changes and concerns.

Compliments of Kulas Law Group

Our firm has been providing quality estate planning since 1993. It has been our pleasure to work with you and your family and it is our goal to make a difference in your lives by doing the best we can to protect you and your loved ones.

If you have any friends or family that you feel may benefit from our services, we are happy to assist them with a consultation or extend them an invitation to one of our upcoming seminars. We would be honored to speak at your church, synagogue or group of friends. Give us a call and we would be happy to enlighten people on Estate and/or Medicaid Planning and which avenue would be best suited for their situation.

Visit our website or call us at **(772) 398-0720** or **(772) 778-8481** to schedule a review of your estate plan. To hear the latest news about estate planning and learn about upcoming law firm events, please subscribe to our blog, "like" us on Facebook, and join our monthly E-Newsletter.



www.kulaslaw.com

Member of: The American Academy of Estate Planning Attorneys | National Academy of Elder Law Attorneys | ElderCounsel



East Lake Professional Center
2100 SE Hillmoor Drive, Suite 105
Port St. Lucie, Florida 34952