First Quarter 2015

PASADENA LAW GROUP

LAWYER FOR *Life*

Keeping Your Family Healthy, Wealthy & Wise

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MAKE SURE YOUR REVOCABLE LIVING TRUST IS PROPERLY FUNDED

You've taken the time to plan for the financial well-being of your loved ones and yourself. You've created a customized estate plan to address your goals and concerns. Your plan includes one of the most powerful estate planning tools out there, the Revocable Living Trust, which allows your heirs to avoid probate upon your death and provide for management of your assets without interference from the court should you become disabled or otherwise incapacitated.

All is well and good—unless you have not taken the steps necessary to fund your trust. Without proper funding, your trust is worth no more than the paper it is written on.

It's hard to believe, but many families take the time to create a comprehensive estate plan, together with a Revocable Living Trust, then fail to properly fund the trust. And even though a Will may provide that all assets pour over into your trust for further disposition, this takes place only after said assets pass through probate, thereby negating one

of the primary benefits of creating the trust in the first place.

Another important factor to consider is that assets such as life insurance, individual retirement accounts and pension plans pass to designated beneficiaries. If the trust is not named as the beneficiary of such assets, they will not be held (and protected) by the trust. Likewise, assets held in joint tenancy with rights of survivorship will go to the surviving joint tenant, not the trust. In addition, assets held in your name alone will not go to the trust until probate has been completed, which can take several months, a year, and sometimes even longer.

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MAKE SURE YOUR REVOCABLE LIVING TRUST IS PROPERLY FUNDED (CONT.)

Given all of this, it is extremely important for you to review all of your assets to determine which titles should be changed to your trust. Assets you will want to review, and possibly title to your trust, include all of the following:

- Bank accounts
- Certificates of deposit
- Investment accounts
- Retirement accounts
- Stocks and bonds held in certificate form
- Real property
- Tangible personal property such as art, rugs, jewelry,
- Vehicles, etc.
- Promissory notes
- Closely-held business interests

We can counsel you on the best strategies to employ so that your assets are correctly titled and your trust is properly funded to achieve your goals and ensure your wishes are carried out.

THE BENEFITS OF AN IRREVOCABLE LIVING TRUST

An Irrevocable Living Trust generally cannot be modified or terminated except under certain limited circumstances. It requires the grantor to transfer assets into the trust and give up his or her rights of ownership to these assets. So why would you want to create an Irrevocable Living Trust, as opposed to a Revocable Living Trust?

Irrevocable Living Trusts, when properly designed and implemented, can provide an almost unsurpassed level of asset protection from the high cost of long-term care. And, like Revocable Living Trusts, they spare your family the delays, frustration and expenses of the probate process. Other reasons to utilize an Irrevocable Living Trust include:

- Tax minimization
- Avoiding the risks of placing assets in the name of your children
- Protecting assets against predators, creditors and lawsuits

While many different types of Irrevocable Living Trusts are available, in essence all of them retitle your assets. Assets placed in an Irrevocable Living Trust can include a business, cash, investments, life insurance policies, and more.

THE BENEFITS OF AN IRREVOCABLE LIVING TRUST (CONT.)

Why is an Irrevocable Living Trust better than a Revocable Living Trust at protecting assets against the cost of long-term care?

Under current Medicaid laws, assets in a Revocable Living Trust are not fully protected. Why? Assets in a Revocable Living Trust are available to the grantor. Medicaid may determine that those assets be used to pay for long-term care. This is not the case with an Irrevocable Living Trust, as long as it is properly designed and implemented to take into account the latest laws governing Medicaid eligibility.

How does an Irrevocable Living Trust protect your children's inheritance?

When you transfer assets directly to your children, they typically become outright owners of the assets. They also become responsible for the risks associated with owning the assets. A properly drafted and implemented Irrevocable Living Trust will avoid:

- Loss of inheritances due to lawsuits, divorce, remarriage, or the inability of your children to manage money on their own
- Gift tax liability
- Income tax consequences for your children
- Problems with getting financial aid to cover educational and other expenses for your grandchildren

To determine if an Irrevocable Living Trust is right for you and your family, contact us today for a consultation.

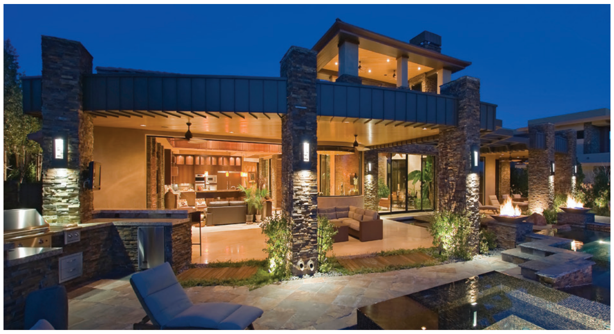
IS IT BETTER TO BUY OR RENT A HOME IN RETIREMENT?

Maybe you're looking to relocate to a state you've always dreamed about living in. Or perhaps you just want to downsize to a more manageable property. Whatever the reason, the decision whether to buy or rent a home in retirement is a difficult one. A recent article in *Consumer Reports Magazine* offers some helpful advice on making this decision.

One of the most important factors to consider is how long you expect to live in your new home. Retirement does not necessarily mean you'll never want (or need) to move again. The shorter you reside in the home, the less financially attractive purchasing it becomes. You will have less time to recoup closing and moving costs, and if you finance the home, you will have little equity in the new property when you sell it. In addition, the federal income tax reduction on mortgage interest may be less advantageous if you are retired and in a lower tax bracket.

In short, if you do not expect to remain in your new home for at least three or four years, you will likely be better off renting.

What is the right decision in your particular situation? By visiting **http://www.nytimes.com/interactive/2014/upshot/buy-rent-calculator.html?_r=0&abt=0002&abg=0** you can access an extremely helpful 'buy versus rent' tool. To read the entire *Consumer Reports*' article, visit **http://finance.yahoo.com/news/rent-buy-home-retirement-201500549.html.**



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A Personal Note From Jan

Welcome to our newsletter for the First Quarter of 2015! I hope all of my readers are having a good year so far.

Our first article is about "funding" your trust. Funding is the process of making sure your assets are coordinated with your estate plan. It includes proper title to your assets, such as your home and your investment accounts, and making sure beneficiary designations — for your retirement accounts and your insurance policies — are correct. We provide funding as part of our regular service. However, unless you are a member of our Client Care Program, your funding may become out of date over time, as your buy and sell assets. If you need a checkup on your funding, just give us a call.

Our next article is about setting up irrevocable trusts — that is, trusts that cannot be changed after you create them. Planners use irrevocable trusts to make gifts with strings attached to family members, to take advantage of tax opportunities, to shield assets from the potentially catastrophic cost of long-term care, or to enhance charitable opportunities. Will such a trust make sense for you? Give us a call so we can chat about it.

Our third article is about where you live upon your retirement. Of course, there are benefits to owning vs. renting property. Many individuals want to stay in their homes for the rest of their lives. However, what works for you may not work for someone else. I hope the article is useful to you in your thoughts about your retirement.

Have a wonderful Second Quarter and enjoy Spring. Of course, if you have questions about any of this, please give me a call.

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