

# Estate Planning Matters

## Kramer Radin, LLP

Law Firm

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### **Review and Update Your Beneficiary Designations**

Make certain the beneficiary designations for all your retirement accounts are up to date. We recently learned of an unfortunate situation when one of our clients died unexpectedly. We have, of course, changed her name.



Doris Larkin and her husband of 20+ years had their assets in a revocable living trust. That was good. Unfortunately, her IRA, that she had established more than 30 years ago, still named her ex-husband as the sole beneficiary. Although the divorce decree did not require her to keep her ex-husband as the primary beneficiary, she neglected to make a change at the time because it had only a couple thousand dollars in it. Several years later when she remarried, she intended to name her new husband as primary beneficiary but never got around to signing the paperwork. Then, when their trust was prepared ten years ago, she provided her IRA account number but did not send the notification of change of beneficiary to the asset holder. Meanwhile, she continued to fund it each year and her investments grew to total a couple hundred thousand dollars.

Needless to say, her "new" husband of 20+ years was surprised to find this complication. Not only has he lost his beloved wife, but he also must deal with the hassle and expense of litigation to hopefully rectify this situation.

Please verify with your asset holders that all of your retirement accounts and life insurance policies and/or annuities have current preferred beneficiary designations. If you have questions, please call us for clarification to ensure that you do not face a similar situation.

### **Is Your Estate Plan Up to Date?**

For years we have been told to plan ahead. Our intentions are good but we often postpone the actions because they require us to contemplate the unknown and sometimes unpleasant circumstances.

It is necessary, therefore, to forecast what may happen. This is especially true in the event of an unexpected emergency.

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The information provided herein is not meant to serve as a substitute for legal advice.

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Consider:

1. Who will handle your financial affairs if you are no longer able to do so competently?
2. Who will make health care decisions if you are no longer able to do so competently?
3. Who will take care of your pet(s)?
4. Will your current residence remain suitable for your needs?
5. If your current residence is no longer suitable, where will you move?
6. Will you need financial help, physical help or both?
7. Will your loved ones need additional help? Is this help dependent on you? If so, will it be financial help, physical help or both?
8. Who are your beneficiaries? (See previous article)
9. Will the economy improve sufficiently to recoup losses from the downturn of the last several years?

The first three of the above are fairly straight forward. Numbers 4 through 7 require some research and/or speculation. Number 8 we addressed in a previous article. Number 9 requires an unbroken crystal ball.

One of our clients recently found that, even though she faced a serious medical problem, because she had planned ahead, she did not have to worry about numbers 1-8 (and she, like each of us, has little or no control over number 9). All she had to worry about was her recovery.

Please call to schedule an appointment if you have questions about the above or changes to make to your estate plan.

## **End of Year Reminders**

**IRA / 401(k) Minimum Required Distributions** -- This year's distribution(s) may be made directly to a qualifying charity thereby reducing your taxable income for calendar 2011. This provision is particularly valuable to people who do not benefit from itemizing deductions on federal and/or state income tax returns. It is always best to check with your tax advisor before selecting this option to ensure that it is best for your particular situation this year.

**Giftng** – Each individual may gift up to \$13,000 in both 2011 and 2012 to as many individuals as he/she wishes (or can afford). A couple, therefore, can gift up to \$26,000 to each of their children plus \$26,000 to each child's spouse plus \$26,000 to each grandchild. Over a period of time, this can be a good tool for reducing a potentially taxable estate.....and can make a lot of people very happy!

## **The IRS Has Guidance for Same Sex Couples**

Under the IRS rules, registered domestic partners living in community property states must each report half of their total community income on their own federal returns, along with any separate income they may have earned. California is of course a community property state. However, even if they are married, same-sex partners are not treated as spouses under federal law. Thus, they cannot file a joint return or use "married filing separately" status for their federal returns. However, they are permitted to file that way on their California State income tax returns. So, one partner can use the standard deduction while the other itemizes on Schedule A. For further information go to [www.kiplinger.com/letterlinks/couples](http://www.kiplinger.com/letterlinks/couples) for details on other federal filing issues, such as how to claim the adoption credit and who claims a child as a dependent.

**An "Assisted Living" Alternative?**

At dinner aboard a cruise ship we noticed an elderly lady sitting alone along the rail of the grand stairway in the main dining room. We also noticed that all the staff (officers, waiters, busboys, etc.) seemed very familiar with this lady. We asked our waiter who the lady was, expecting to be told she owned the line, but he said he only knew that she had been on board for the last four cruises, back to back.

As we left the dining room one evening we stopped to say hello. We chatted and commented that we had been told she had been on this ship for the last four cruises." She replied, "Yes, that's true. It's cheaper than assisted living. The average cost for assisted living is more than \$200 per day. I have checked on reservations at this cruise line and I can get a long term discount and senior discount price of about \$150 per day. That leaves me \$50 a day. And:

- 1. Gratuities are only about \$10 per day.
- 2. I can have as many as 10 meals a day if I can waddle to the restaurant, or I can have room service (which means I can have breakfast in bed every day of the week).
- 3. The cruise ship has a swimming pool, a workout room, free washers and dryers, and shows every night.

- 4. They have free toothpaste and razors, and free soap and shampoo.
- 5. They treat you like a customer, not a patient. An extra \$5-\$10 worth of tips will have the entire staff scrambling to help you.
- 6. I get to meet new people every 7 or 14 days.
- 7. If the TV is broken, a light bulb needs changing or the mattress needs to be replaced, it is not a problem! They will fix everything and apologize for the inconvenience.
- 8. Clean sheets and towels are provided every day, and you don't even have to ask for them.
- 9. If you fall in the assisted living residence and break a hip, you are on Medicare; if you fall and break a hip on the ship, they will upgrade you to a suite.



Now hold on for the best! Do you want to see South America, the Panama Canal, the Norse countries, or some other place? The cruise line will have a ship ready to go. So don't look for me in assisted living, just call shore to ship."

*Thank You!*

*We receive many referrals from our clients. We are very pleased that our clients show this confidence in our abilities to work with their friends and family members.*

*Because of confidentiality issues, we cannot personally acknowledge the referrals but we sincerely thank each of you.*



*We wish you and your family a Happy Holiday Season.*



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