



My Family Matters newsletter has one goal: to give you the information you need to make intelligent financial and personal decisions for you and your family.

If you have questions that you would like me to address either privately or in the next newsletter, please call or email me.

*I'd love to hear from you!
I wish you and your family a very happy holiday season!*

*Best,
Tali*

CURRENT EVENTS

Estate Planning in The News

Estate Tax Threatens NFL Owners

The Rooney family has owned the Pittsburgh Steelers since the 1930s. Now, it may be forced to sell its ownership interest in the team to avoid paying estate taxes.

Franchises like the Steelers are billion-dollar commodities. The estate taxes on such assets are also a fortune. If family members transfer their ownership interests to their children after they die (through a will, for example), they face a 45% estate tax! Instead, if they SELL their interests during their lifetimes, they face only a 15% capital gains tax. The incentive to sell rather than hold is obvious.

The Rooney family faces this tough choice. Four of the five Rooney brothers have publicly announced their willingness to divest their combined 64% interest in the club, and the estate-tax issue is undoubtedly one of the main reasons.

FOOD FOR THOUGHT

The Economic Crisis: A Silver Lining

So many of us have been hurt by the recent economic crisis. Our savings, retirement plans, 529 Plans, and other investments have suffered. Our consumer confidence has dwindled. But there is one small silver lining in all of this, and a slightly bigger one if you own a revocable living trust!

The federal government is trying to boost public confidence in the banking system by significantly increasing FDIC insurance. For checking accounts (and other accounts that do not earn interest), the FDIC will now insure the entire amount in the account. For all interest-bearing accounts, the FDIC has increased insurance coverage from \$100,000 to \$250,000 per account. These two increases are temporary (they expire on December 31, 2009), but the increases for revocable living trust accounts is permanent! Here's how it works ...

For revocable trust account owners with balances of \$1.25 million or less at a single bank, the FDIC will insure every trust beneficiary up to

The NFL has had presentations at league meetings about estate planning and considers it a matter of strategizing for an inevitable moment. In 2000, Steelers President Dan Rooney told Bloomberg News that estate taxes "make every one of us nervous. If there's an owner who isn't, he has his head in the sand."

Moral of the Story:

Don't have your head in the sand. If it's important for the rich to "strategize for the inevitable moment," it is important for you too. If you own a family business or family property, consult with an estate planning attorney or other tax adviser about how to protect your family from unnecessary taxes.

'Tis the Season to Give: 3 Smart Ways to Donate to Charity

Many people who give to charity do so through outright charitable donations during their lifetimes. A client recently asked me if there are other ways to make such gifts, both during her lifetime and after her death. For those of you who are charitably inclined, the following discussion might be helpful:

1 Retirement Assets.

If you want to leave a gift to charity after the death of you and your spouse, leaving a retirement account like an IRA could be an excellent option. A retirement asset that is left to an

\$250,000. (This \$1.25 million threshold applies to each co-owner's share.) For example, if you and your spouse create a living trust for the benefit of 5 beneficiaries - your two children, a charity, and two close friends - and the trust has a bank account with a balance of \$2.5 million, the FDIC will insure the ENTIRE amount (for each owner, 5 beneficiaries multiplied by \$250,000). Although it used to matter if a beneficiary was a "qualifying" beneficiary (see last issue for more about the FDIC's old rules), the old rules about qualifying beneficiaries have now been discarded.

As mentioned above, this increased FDIC coverage for revocable trust accounts will continue for all existing and future revocable trust accounts. This makes a revocable living trust that much more useful as a money-saving tool.

Remember: if your bank account is owned by your revocable living trust, provide your bank with the names of all trust beneficiaries. For more information about the new FDIC rules visit:

www.fdic.gov/news/news/financial/2008/financial08099.html and
www.fdic.gov/news/news/press/2008/press08093.html and
www.fdic.gov/news/news/press/2008/press08100.html

individual is generally subject to two taxes: an estate tax upon your death and an income tax whenever a distribution is made from the retirement account to the individual. Up to 70% of your retirement plan assets could be lost to income and estate taxes. However, if the retirement plan asset is left to charity, that double taxation is avoided (no estate tax is paid on the gift and the charity does not pay any income tax on distributions). You would thus be leaving the entire asset to the charity, tax free.

2 Donor Advised Funds.

If you want to make ongoing charitable contributions to one or more public charities, many charitable organizations offer what is called a Donor Advised Fund. It gives you some of the benefits of a private foundation because you can typically direct how your ongoing gifts are to be distributed, while at the same time providing you with an income tax deduction for the full fair market value of your gift - even if that gift is a non-publicly traded stock or partnership interest!

3 Charitable Remainder Trusts.

The Charitable Remainder Trust ("CRT") is a particularly valuable planning tool if you intend to make charitable donations to public charities and are faced with a substantial capital gain from a contemplated sale of assets. Instead of selling the appreciated assets and getting hit with a huge tax, you could gift the assets to a CRT and get a current income tax charitable deduction. A portion of these assets would be distributed to your spouse, children, or other designated noncharitable beneficiaries for their lifetime (or a term of years), after which the remainder would go to one or more charities of your choice.

Question of the Day

How Do I Choose A Guardian For My Kids?

All of my clients who have young children struggle with this question: "How do I choose the right guardian for my children?" Some clients would love to designate their parents, but they worry about their age. Some clients want their sibling to serve as guardian, but are concerned about their sibling's spouse. Others wonder if they can or should designate a good friend rather than a relative. There are no fixed rules for picking the right person, but the following reminders and guidelines should increase your peace of mind.

The most important thing to remember is that the person you choose as guardian will be preferable to the person chosen by the probate court if you die intestate (without a will or trust). So, if you are sitting down with an attorney to develop your estate plan, you are already way ahead of most people who leave this critical decision to the government.

The second thing to remember is that nothing is set in stone. A will and living trust can always be amended if and when circumstances change. If you designate someone to serve as guardian and that person dies or becomes ill or marries someone you distrust, you can always amend your estate plan and designate someone else! In fact, I always encourage my clients to have their estate plans reviewed every three to five years to ensure that their plans still reflect their wishes

With that in mind, here are some questions to ask yourself when choosing a guardian:

(a) Does this person have the same approach to childrearing as I do? Will this person or persons raise my children in a manner that is similar to mine, in terms of religious, educational, political, cultural, and other values and morals? Will this person respect my wishes and goals if they differ from his or her own?

(b) Does this person live nearby (so that my children will have continuity and familiar surroundings) or do they live far away? Does this person live in a city, suburb, or rural community? Does this matter?

(c) Does this person have his or her own children? Are those children the same age as mine? Is that a good thing or not?

(d) How old will this person be when my child is five? ten? fifteen? Can this person handle a teenager? Would they want to?

(e) Do I trust this person's spouse? Does it make sense to name the spouse as a co-Guardian? (Remember, your estate planning attorney should be able to draft your will to protect your children in case one of the co-Guardians becomes ill or dies or the co-Guardians divorce).

and have not become outdated. An obsolete estate plan is often just as bad as no estate plan at all.

One final reminder: No one can take your place as parents. So, when considering whom to designate as guardian for your children, expect to feel some anxiety that the designated person will not be perfect. They can't be; they're not you! The goal is to find the best person under the circumstances.

(f) If your child has a medical condition or special needs, will the person designated as guardian be close to a particular hospital or doctor? Will the person be able to provide and care for the special needs child?

(g) Will this person allow other members of your family regular access to your children? Will this person respect the desire and request of your children's relatives to be involved in your children's lives?

Stay Tuned ...

In the next newsletter, I will discuss:

- How to be loving and romantic, even after you're gone
- Tali's take on T.V. - "Can that really happen?"
- Questions from readers
- Plus more current events, tidbits, and reminders

ABOUT THE AUTHOR:

Tali Klapach grew up in Los Angeles and graduated from Princeton University and Yale Law School. Following law school, Tali clerked for a federal judge on the Court of Appeals, practiced trusts and estates law at a tax firm, and later started her own practice in Los Angeles. Tali is committed to helping clients protect their families from taxes, incapacity, probate, and uncertainty by providing high-quality, affordable estate planning. As the mother of two, Tali knows firsthand the kinds of concerns a family has and the importance of caring for one's children in the most responsible and loving way. Her goal is to help each client make the best personal and financial decisions for their family and to find peace of mind - now and in the years to come.

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