How To
Become A Family Legend

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Let the legend begin!

Never Outlive Your Money

Retirees share a serious concern about their ability to preserve incomes at levels which will support their lifestyles. This booklet is devoted to helping retiree's live better and get more out of life. You no doubt want to stay informed about the various financial choices available to retirees. Choices found to be secure and responsive to retiree's needs. The "barracudas" of the investment industry are always circling the "reef of seniors" trying to move in and have one for lunch. We provide a spear gun loaded with knowledge so you can keep the barracudas at bay.

The Secrets of Making a Legend

There are some secrets! Well...not actually secrets. Let's say techniques, not widely known, which can accurately make you a legend in your family for generations to come. Have you noticed how some families have it all? Great kids, financial success, good health, ambitious grandchildren. <u>This is not an accident!</u>

Several years ago this phenomenon presented itself and while the concepts may not be a secret, they are certainly not common knowledge. You will not read about it in *USA Today*. It is far too subtle, far too complicated and far too deep in theory for a television sound bite or brief newspaper article. And since it contains neither sex nor violence, who would sponsor the message?!

Not only does this booklet sponsor the message, the message is simple and easy to understand. Those families and individuals that seem to "have it all" have one thing in common:

Someone, at some point, committed a conscious or unconscious act to plan for the future.

With all the knowledge contained in the pages ahead, <u>you can literally become a legend in your own family.</u> Use this knowledge to follow the path other legends have taken. Read on to learn just a few of the techniques used not only by legends, but by **PEOPLE JUST LIKE YOU** who care about protecting their money and assets.

Nursing home costs…
plan now, worry less

LEGEND BUILDING TECHNIQUE NUMBER ONE:

Plan & Protect

First, the Bad News

Maybe, this isn't really bad news; it is only a reminder of things you already know. You are probably on a fixed income. Furthermore, should you become seriously ill, the cost of your care will certainly be astronomical. Nursing home care will cost $5,000 a month, or more. Around the clock care, in your home, would cost $250 a day. These are sobering thoughts for anyone.

You may consider long term care insurance. However, the premiums may be $3,500 a year (if you qualify) based upon the present state of your health. Medicaid will not pay for your care unless you spend most of your own money first. What, in heavens name, is a person supposed to do?

Now, the Good News

The good news is you probably have less to worry about than you think. The better news is there are planning techniques you can use to virtually eliminate those worries. Let's examine the key elements of concern and then lay out the solutions. For most of us, four of our greatest fears are:

1. **Becoming seriously ill**
2. **Paying for medical or nursing care**
3. **Protecting our loved ones from financial ruin**
4. **Maintaining a comfortable income**

We will address each of these concerns one at a time.

Paying for Nursing Home Care

In most states, it is your responsibility to pay for your own nursing home or in-home care. First, you must spend your own assets before Medicaid will begin to pay. This concept varies from state to state. No matter where you live it is not a pretty picture. Nursing home care will typically cost $164 per day. That is well over $5,000 a month. Keep this $5,000 figure in mind as we proceed. Do not overlook the fact that your income will partially offset that $5,000 a month.

It is important to remember <u>that your income does not stop just because you are in a nursing home</u>

<u>Nursing Home Insurance…Think Twice!</u>

A good long term care policy – one that covers you in a nursing home or in your own home – is likely to cost an average seventy-year-old $3,550 a year. Beware of policies costing significantly less. You only get what you pay for so read the fine print. The policy will probably pay $164 a day for four years with a 90 day "elimination period". In other words, the first 90 days are at your expense. It works like a deductible.

Think about this: When you buy long-term care insurance, your goal should be to purchase only enough coverage to pay the difference between your present monthly income and the cost of the nursing home. To figure what the amount will be, add your monthly social security, IRA and investment income together. Next, deduct that total from the projected monthly nursing home cost. Now, buy only enough nursing home insurance to cover the difference.

Example:

Nursing Home Cost	**$5,000 month**
Social Security, other income	**-<u>$1,400 month</u>**
Insurance Benefit Needed	**$3,600 month**

*** $118 a day**

Instead of paying a $3,550 a year premium for a $164 daily benefit, you can lower your premium because, in actuality, you really only need a $118 daily benefit (the difference between your income and the costs). Always remember that your income does not stop even if you have Alzheimer's disease and are completely incompetent. This buying technique may reduce your premium to $1,000 a year. <u>Don't buy what you don't need.</u>

Qualifying for Medicaid

Qualifying for Medicaid requires an understanding of both federal and state laws and weighing these against your family's needs. You must bear in mind that in order to qualify for assistance you will, in all likelihood, have to be nearly in a state of poverty.

The details of these strategies are too complex to cover here. You should discuss them with a competent estate planning attorney. What's important is that you know <u>there are effective planning moves you can and should make</u> <u>NOW</u>! Do not wait until you are sick or dying. <u>ACT NOW!</u>

Barracudas Cry Wolf

There are many seminars, aimed at seniors, whose purpose is to frighten people into buying long term care insurance. It is not surprising that these seminars are conducted by insurance salesmen acting as estate planners.

The fact is, only a small percentage of people will ever experience a long stay in a nursing home. You probably have far less to worry about than an insurance agent may lead you to believe. The insurance salesman is interested in earning a commission. The insurance company is interested in profits. Always follow the trail of money to find the motivation. Act in your own best interest, not theirs.

LEGEND BUILDING TECHNIQUE NUMBER TWO:

Living Trusts

What is a Living Trust and Why Do I Want One?

We live in a complicated world. You realize how complicated when it is time to analyze the options available in managing your financial affairs. A Living Trust offers a very effective way of handling some of the problems surrounding the management of your estate.

Trusts actually date back well over a thousand years. Wealthy people have used trusts for years as a means of protecting their estates and guaranteeing their wishes are followed. Currently, **Revocable Living Trusts** have become a popular financial planning tool for those wishing to preserve assets for the future.

A Living Trust is a modern way to keep your estate private, prevent the wasted time of probate, more securely protect your wishes, step-up the valuation of your assets (virtually eliminate capital gains) and possibly save thousands of dollars in probate and attorney fees.

Joint Tenancy

Frequently, couples say they are using Joint Tenancy as a way to avoid probate. This method has some serious disadvantages which you may not be aware of. Although probate can be avoided upon the death of the first spouse, it may occur upon the death of the remaining spouse. These couples merely prolonged the inevitable.

Another problem presented by Joint Tenancy affects any children you may have from a previous marriage. If you have remarried, your holdings will pass to your current spouse when you die. When your spouse dies, these assets may then go to his/her heirs. Those heirs may or may not be children you had together, but they are probably not the children from your previous marriage. Was it your intent to disinherit your own children?

Questions You Should Ask Yourself

1. **Do I want my spouse, or loved one, forced to probate my estate?**
2. **Do I care who gets my money and assets after I pass away?**
3. **Do I want to obligate my heirs to pay probate fees to an attorney?**
4. **Do I want the details of my estate to become public knowledge for anyone to examine?**

5. **Do I want my children, or loved ones, to possibly wait YEARS to settle my estate and take possession of the things I am leaving for them?**
6. **Do I want an attorney, or the courts, to interpret my final wishes?**

The answers to all of these questions are usually obvious to most people. One convenient solution is to create a **Revocable Living Trust**. It is important to use the advice of a competent estate planning attorney when setting up a trust. This is definitely not a "do-it-yourself" project.

The purpose of this section is simply to provide you with a better understanding of **Revocable Living Trusts** and how they function. Whether or not a Living Trust is the right solution for you should always be discussed with a knowledgeable attorney or estate planning professional.

Many attorneys do not advise their clients about Living Trusts as an estate planning option. First, an effective estate plan that relies on a Living Trust will eliminate the probate fees an attorney is entitled to collect. Second, many general practice lawyers lack the experience required to draft these documents.

The most noteworthy elements of a **Revocable Living Trust** are those that address the drawbacks of a conventional Last Will and Testament. Some of these drawbacks are:

1. **A recorded Will is a public document, open to anyone who wishes to see it.**
2. **A Will does not avoid probate. Probate often takes longer than a year to complete and in many cases takes YEARS to complete.**
3. **Probate and attorney fees can consume 5% or more of an estate.**
4. **Wills are not typically as secure as a Revocable Living Trust.**

Now, let's examine what a **Revocable Living Trust** is, how it works, and how it can address some of the problems created by a conventional Last Will and Testament.

A Trust is a recognized legal entity in all fifty states. It is a document that entitles you to hold your assets in the name of your Trust. Trusts do not "die" and therefore do not go through probate. You keep a copy of the Trust document in your home, and the attorney who prepared your Trust also keeps a copy for your protection. You may also want an heir to have a copy.

The best way to understand a Living Trust is to think of it as a small family company. You are the boss of the company during your lifetime (you are called the Trustee), and your heir becomes the next boss (called Successor Trustee) upon your death.

In most cases, the family's last name is the name given to their Trust. For example, Gus and Mary Miller set up a Trust. Their Trust is called **The Miller Family Revocable Living Trust** and they are designated co-trustees during their lifetime. When Gus dies, there will be no probate of the Trust assets because no assets were in Gus's name (they were placed in the name of the Trust). When Mary dies, the Successor Trustee takes control of the trust and disperses the assets as he or she has been directed my Gus and Mary in a section of the Trust called "Final Distributions". Most families have children as Successor Trustees. However, people without children will, many times, name a niece, nephew, or friend as the Successor Trustee. Your Successor Trustee may be anyone you choose and may live anywhere.

One of the primary purposes of the Trust is to exempt your assets from probate. In order to accomplish this, you must title your assets to the trust. The act of transferring assets to the Trust is called "funding" the Trust. Funding the Trust is like transferring to a little family company. You are the boss (Trustee) of the company, and your heirs take over as the new boss (Successor Trustee) upon your death. Now, let's proceed to fund **The Miller Family Revocable Living Trust.**

Funding The Trust

The largest asset Gus and Mary own is their home. The deed of the house will be "quick claimed" to the Trust. This transfer is generally not a taxable event. The deed will now indicate their home is owned by **The Miller Family Revocable Living Trust,** Gus Miller, Trustee, and Mary Miller, Trustee. Should they want to sell the home, they merely sign the deed as "Trustees", rather than "owners", and the sale can be completed.

Next, let us look at handling other assets. CD's? Those are re-titled at the financial institution. The CD will now be in the name of the Trust. Savings account? The same thing is done. How do you get the money out of the account? Simply sign the withdrawal slip, Mary Miller, Trustee, and take the money. Remember, Mary is the boss of the family company! Keep in mind all assets are still identified with your social security number even if they are titled to the Trust.

Stock brokerage accounts. The brokerage account is changed to the Trust name. Now, all stocks held at the brokerage firm are in the name of the Trust and free of probate. Also, all future buying and selling is done automatically in the name of the Trust. Individual stocks held in a safe deposit box must be changed with the transfer agent of that particular stock. Your attorney may assist in doing this as part of his or her service.

All assets such as limited partnerships, oil and gas royalties, investment real estate, and especially property out of state would be placed into the Trust name. If you have property in other states, you may end up probating assets there as well. (This is known as "Ancillary Probate"). By placing all your real estate in your Trust you will avoid the costs and delay of probate EVERYWHERE!

Three assets that must be looked at differently are retirement plans, life insurance, and annuities. These are "beneficiary" items. Generally, you do not fund them into a Trust. For husband and wife, you will name one another as the primary beneficiary. For a single person, you may name the Trust as the primary beneficiary.

An important fact to note about IRA's: Because you have not paid income tax on your IRA money, a large percentage can go to taxes upon your death. Perhaps you have not realized this. However, the value of an IRA or retirement plan can be tripled if you know how to handle it appropriately. A professional planner can be of great assistance in these matters.

Now that all of Gus and Mary's assets are in their Revocable Living Trust, let's see how to settle their estate.

How long will it take to settle? In general, a Trust can be taken over by the Successor Trustee in a matter of days. <u>That's right…days</u>, as opposed to a Will which may take years to probate.

> **A TRUST is a PRIVATE document.** A Will is a public document while a Trust is just the opposite. Your Trust remains confidential within the family. No one will have access to the details of your affairs.
>
> **Revocable Living Trusts are secure.** Wills are typically not as secure as a Revocable Living Trust. This is especially important if you are in a second or third marriage. In such cases, assets often need to be distributed between more than one family. A Trust can help ensure that each family receives its respective share.
>
> **Stepped-up valuation of your assets.** When you fund your assets into a Trust you receive stepped-up valuation upon your death. The new cost basis for these assets will be their market value at the time of your death. This can save thousands of dollars by virtually eliminating capital gains.

Saves possible thousands in probate fees! In most cases trust preparation costs are based on the size and complexity of an estate. There is generally a one-time flat fee with no additional charges, annual fees, or settlement fees. The average estate of $150,000 can easily cost $7,000 to $12,000 in probate and administrative fees. With a Trust, these fees are eliminated. The savings to your heirs can be substantial.

Federal estate taxes are a subject we should address for a moment. In 2016, your estate must exceed $5.45 million before potential estate taxes would be due. For most Americans, their estates will fall well under this amount. However, if you own a business or family farm. The value of these assets could exceed the current $5.45 million exemption. You will want to discuss your current assets with a competent estate planning attorney and accountant. There are strategies you can use to help eliminate or minimize the impact of estate taxes.

Revocable Living Trust Provisions

A living Trust is a comprehensive planning vehicle that contains many important sections. The various provisions of the estate plan should include:

- **A Living Will** to protect your wishes regarding your right to either terminate or continue life support systems.
- **Guardianship Nominations** in the event you become incompetent and need care.
- **Competency Clauses** naming your personal physician to determine incompetency, if necessary.
- **Durable Power of Attorney, Health Care** to designate the person you choose to make medical decisions for you, if you have become incompetent.
- **Durable Power of Attorney, Property and Assets** to grant legal authority to an individual to sign your name, if you have become incompetent. (note: these two powers of attorney serve to avoid guardianship)
- **A Pour Over Will** to nullify your existing Will and protect anything you may have forgotten to title to your Trust.
- **A Trust Abstract** (Affidavit of Trust) proves the Trust document exists. It is presented to people who hold your assets for the purpose of transferring them into your Trust, such as banks, brokerage houses, etc.
- **Final Distributions** which state how you want the estate divided and distributed to your heirs.
- **Special Distributions** Who gets the piano? How about jewelry? Charitable Gifts? Special Friends?

- **Assignment of Personal Effects** Stamp & coin collections, antiques, furniture and jewelry.

Perhaps now you understand why people feel such a sense of security when they have completed a **Revocable Living Trust** for their family. Most individuals never realize all the problems that could potentially develop regarding their estates. A Living Trust is truly the finest final gift you can give your heirs while, at the same time, giving yourself total peace of mind.

Who Should Consider a Living Trust?

Maybe a better question would be, "Who would NOT consider a Living Trust?" There are two types of people who would not consider a Living Trust:

1. **Someone who does not have any assets**. If you have little or no money or property, it may not be a consideration.
2. **You just don't care!** Some people spend an entire lifetime building a valuable estate and then say, "Oh, let the kids worry about it!"

Other than the above two examples, it is very difficult to find anyone with assets who should not consider the option of a **Revocable Living Trust**.

Review the Benefits

The following is a concise summary of the many benefits of having YOUR OWN family Revocable Living Trust:

- **Avoids probate, both the cost and delay.**
- **Completely flexible, can be changed at any time.**
- **Your Trust maintains control of your assets and money, even if you are incompetent, even after death.**
- **Minimizes capital gains taxes to your heirs.**
- **Prevents guardianship after physical or mental incapacity.**
- **Your estate remains completely private and confidential.**
- **Should allow more rapid distribution of all assets to your heirs.**
- **Very secure. Very difficult to contest.**
- **Minimizes emotional stress on the family.**
- **Avoids the problems of Joint Ownership.**

- **Prevents unintentional disinheriting (problem of Joint Tenancy)**
- **Very inexpensive compared to the total cost of a Will (and subsequent probate).**
- **Can protect dependents with special needs (handicapped).**
- **Effective family protection to avoid problems in second or third marriages.**
- **Avoids ancillary probate of out-of-state property and assets.**
- **Provides continuous smooth operation and management.**
- **No settlement fees to heirs when they take control.**

These benefits are a powerful argument in favor of considering a Living Trust for any family.

Almost every library will have numerous books written on Trusts and their advantages as an estate planning tool. Here's an idea: go to the library and see how many books you can find on "The Advantages of Going Through Probate." Why should your loved ones have to pay an attorney a fee to collect the money that **ALREADY belongs to them?!**

Now, let's move forward and look at another legend building vehicle that can turbo-charge your wealth for generations to come. The vehicle...**Tax Deferred Annuities.**

LEGEND BUILDING TECHNIQUE NUMBER THREE:

Annuities

What is an Annuity and Why Do I Want One?

An annuity is a contract between you and an insurance company whereby you deposit money with them while they, in turn, reinvest it and pay you a predetermined interest rate. They further agree, by contract, to return all of your money at a specific future date (for example: five years from the date of the contract). You may request your money sooner but they will charge you a penalty for early withdrawal (surrender charge).

Doesn't this scenario sound familiar? It is virtually identical to owning a CD at a bank (a long term deposit with an early withdrawal penalty). The CD may be Federally insured, but the annuity will have much higher reserves protecting your deposit. Annuities are an extremely secure investment, especially when you select an annuity issued by a financially strong company.

There are several reasons why an annuity is a far superior investment vehicle to a CD.

They are:

1. More choices on how your money is returned (settlement options).
2. Annuity interest is <u>tax deferred</u>. You receive a 1099 for CD interest every January, but not for annuity interest.
3. Typically, the yield from an annuity will be approximately 2% higher than a CD.
4. You many request a lifetime payout from your annuity <u>that you can never outlive</u>.
5. If you should pass away, the annuity is paid directly to your beneficiaries. It by-passes probate.

There are several other advantages. There is no stock market risk with a fixed annuity. They keep pace with inflation. You can purchase one for a short term or long term. They make wonderful gifts for children and grandchildren. A properly constructed annuity contract can be a valuable tool in planning for nursing home care. A tax deferred annuity is just one way to prevent the worst disaster of all...**outliving your money!**

Here is how to say "I love you" to the grandkids and the great grandkids in a big way in the years ahead by using a tax deferred annuity.

Annuities, generally, can be purchased in minimums of $5,000 up to a maximum of $1,000,000. The average senior who purchases an annuity invests about $45,000 although $100,000 annuities are common. If you don't already own an annuity, now is the time to consider making one part of your savings strategy.

Many people fear that if all they have to leave their grandchildren is a small amount of money, inflation will cause the inheritance to lose much of its value or impact. That is simply not so. Take a look at this example: If your grandfather had deposited $1,000 for you in an annuity 60 years ago, today the gift could be worth more than $65,000. Undoubtedly, you would be most appreciative of grandpa's forethought.

The present day equivalent of that $1,000 gift from sixty years ago would be about $5,000. So, to make the same major impact on your grandchildren, you would have to invest $5,000 into an annuity today. By doing this, you will become a real legend to your grandchildren in the years ahead. Your foresight will greatly enhance their ability to afford the extras in life when they retire.

Seniors often have $25,000 sitting in CD's or other taxable cash equivalents. Yet all they really get out of the money is a 1099 tax statement in January which "allows" them to pay income tax on the interest. Why not take some of those "lazy" dollars and put them in a $10,000 annuity for each grandchild? That way, you will improve their financial circumstance, while becoming your family's legend – the builder of the family fortune as it were.

Here's an idea on how to further secure your legendary status in the minds of your grandchildren. Attach a sealed envelope with a short note to these newly established annuities. Mark it, "Do not open until age 60." In the note, explain how you set up the annuity as a gift of love and a wish for eternal prosperity in their golden years. Tell them the only "thanks" you desire is that they take a little of that money, now worth over $130,000, and make similar gesture to their grandchildren…your great, great grandchildren. You will be a legend in your family for hundreds of years. **Think about it!**

LEGEND BUILDING TECHNIQUE NUMBER FOUR:

Life Insurance

The topic of life insurance is a most unpleasant one and no one likes to talk about it. Okay, so it is not a good investment. However, most people fail to realize that life insurance <u>was never meant to be an investment</u>. Life insurance is designed to protect the value of the rest of your investments.

Life insurance, correctly used, can be another legend building technique. Rather than using a $5,000 CD to pay burial expenses, use the $5,000 to buy a single premium life insurance policy. That way you will have an immediate death benefit of $7,000 or $8,000 to pay burial expenses. Furthermore, the money by-passes probate and is tax-free for your heirs.

Another legend building strategy is using life insurance to create a larger estate. If you have savings which you believe you will not need for future living expenses, those funds can he used to purchase a life insurance policy. By using life insurance as a estate transfer method, the death benefit will pass to your heirs on a tax favored basis and avoid probate. There are also single premium plans available. Some plans offer a refund of premium option if, in the future you do have a need for those funds.

If your estate is large enough to incur a Federal Estate Tax Liability, you may want to consider the purchase of a life insurance policy to cover the estate taxes. This is done by setting up an **Irrevocable Insurance Trust** to own the policy. By doing this, the policy's benefits remain outside your estate. Designate one of your children to be the trustee and gift enough money to him or her each year to pay the premium on this policy. A $10,000 annual premium can buy approximately $300,000 in life insurance at age 70, providing your health is decent. Look at the numbers! <u>Think about it!</u>

Life insurance is a valuable tool for making you a legend. However, you should consult your lawyer or accountant about this issue. Then explain the situation to your insurance agent and follow your agent's advice. There are many highly educated and knowledgeable insurance professionals who are sincerely dedicated to assisting you in accumulating wealth. This is yet another way you can become a legend in your family.

Begin Your Legendary Status

This Is Your Moment!

You have taken the time to read this booklet and have received some very important information. Remember that successful, prosperous, and overall happy families all seem to have one thing in common:

Someone, at some point, committed a conscious or unconscious act to plan for the future.

Now is your moment, your opportunity, to change the course of your family's future forever. You, YES YOU, can become the legend in your family. There are many excuses for not planning ahead and none of them are valid. It is easy to do nothing, but what an enormous price will be paid later by your loved ones.

The truth is, it is so easy to plan for the future and literally change the course of your family's history. The estate planning professional you select can do all the work, explain any details and make you look like a hero. The biggest mistake you can make is to do nothing.

You may not need a Living Trust for your estate. You may not need to bother with any changes in your investment strategy. You may simply need to up-date your Will and do a little planning for your grandchildren. You may just want your advisor to show you how to get a little more income from your assets. Once again, plan for the future…you will be a legend.

"Live, Love, Laugh and Be Happy"

The purpose of this booklet is to offer ideas and strategies that will improve your life and the lives of your loved ones for generations to come. It is written with the hope you will act now, not just to become a future legend in your family, but to achieve peace of mind for yourself, today.

Remember the words of Frank Sinatra's famous song, "My Way?" "Regrets, I have a few, but then again, too few to mention." With just a little forethought and planning concerning the issues raised in this publication, you can be certain your estate and financial affairs will be free of regrets. You are only a phone call away from becoming a legend in your own family. Make that call today to guarantee the family fortune will be handled your way.

To learn how you can become a family legend, contact Barry Taylor 574-516-6931 or by email at btaylor@ipsolutionsaz.com. You can also visit www.ipsolutionsaz.com for more information about Integrated Planning Solutions.

Please Read This

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