

LAWYER FOR *Life*

KEEPING YOUR FAMILY HEALTHY, WEALTHY & WISE

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Do You Need A Trust?

One of the first questions many clients ask is whether they need a trust. It's a great question, but it leads to another: What do you want your plan to accomplish? Let's begin with a brief discussion of what trusts are and how they work. Then we'll explore their benefits, which should give you a better idea of whether a trust is right for you and your family.

What is a Revocable Living Trust?

There are many different types of trusts and they can accomplish a wide range of goals. However, when most people think about trusts, the one they have in mind is a Revocable Living Trust.

A Revocable Living Trust is a legal document that allows the trustor (the person who creates the trust) to take personal assets and transfer them to the ownership of the trust. While the trust technically owns the assets, the trustor who is normally the trustee can continue to use them as he or she would.

When a Revocable Living Trust is established, the trustor names a trustee to manage the assets in the trust during the trustor's lifetime.

Most trustors name themselves as trustee, giving them complete control over the trust's assets. Typically, a successor trustee is also named to take over management of the trust and distribute trust assets after the trustor passes away.

What are the benefits of a Revocable Living Trust?

One of the primary benefits of a Revocable Living Trust is that it enables assets held in the trust to avoid probate after the trustor's death. This allows trust assets to be distributed to heirs more quickly than the probate process. The costs associated with probating the estate are also avoided. In addition, a Revocable Living Trust protects the privacy of the trustor (and beneficiaries) because the trust's provisions are confidential. A Last Will and Testament, on the other hand, is a matter of public record. Anyone can access information about the decedent's assets, creditors, debts, and more.



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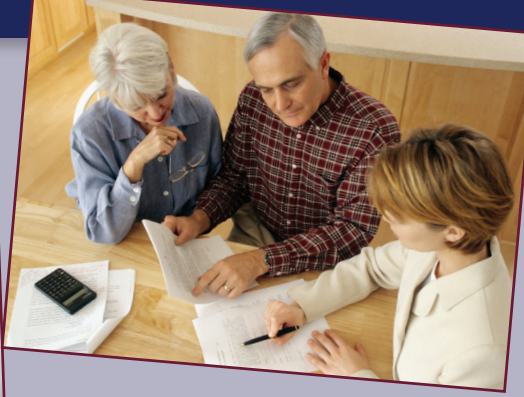


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Do You Need A Trust(Cont.)



Another benefit of Revocable Living Trusts is they not only allow the trustor to control trust assets during life but also after he or she passes away. The trustor can stipulate when, how, and under what circumstances the successor trustee is authorized to distribute trust assets to beneficiaries. This is particularly important if the beneficiaries are not yet mature or financially sophisticated enough to manage an inheritance on their own, or in situations involving blended families. For example, the trustor could stipulate that children from a first marriage receive assets from the trust, not just the children from a more recent marriage.

Revocable Living Trusts can also be used to protect the trustor and the trustor's family from a stressful and expensive conservatorship proceeding if the trustor becomes incapacitated.

As we mentioned earlier, there are many different types of trusts. If one of your primary goals is to protect assets from long-term care costs, creditors, lawsuits, and other threats, an Irrevocable Trust or an Asset Protection Trust may be a much better option than a Revocable Living Trust. If you have a loved one with special needs, a Special Needs Trust can allow you to create a fund for goods and services not provided by Medicaid or Supplemental Security Income while protecting eligibility for these vital programs. A Charitable Trust allows the trustor to set aside money for both a charity and beneficiaries, realize certain tax advantages, and generate an income stream.

These are but a few examples of various trusts and what they can accomplish. If you're still not sure whether you need a trust, we welcome the opportunity to explain your options in detail and, if appropriate in your particular circumstances, design and implement the trust that's right for you and your family.

If You're Thinking About Downsizing Your Home In Retirement, Avoid These Common Mistakes



Perhaps you have considered selling your current home, buying a smaller one, and using the difference to help fund your retirement. A recent article on Investopedia.com explores this approach and details the mistakes you must avoid. Here are some of the highlights.

Overestimating Your Current Home's Value

Many people overestimate how much of their current home is actually worth because of what friends and neighbors say they received for the sale their homes. To get a realistic sense of your home's value, visit websites like Zillow.com and Realtor.com to get a general idea as to the prices of recently sold properties in your area. Online "estimators" from banks like JP Morgan Chase and Bank of America will also provide useful information. Bear in mind that prices and estimates shown on these and other sites may not take into account the specific features sought by prospective buyers. Consulting qualified local real estate agents or independent appraisers can address this problem. You should also ask these real estate professionals about inexpensive spruce-ups that will increase your home's curb appeal and value. Most experts agree that the cost of major renovations will not be recouped unless your home is in extremely poor condition.

Underestimating the Cost of Your New Home

You can use the online tools and real estate professionals mentioned above to get a sense of what you'll have to pay for the type of home you want to buy. If you plan to move to a new area, such as a place you've always enjoyed visiting, it's important to spend a significant amount of time there. This will give you a feel for what it's like to actually live in the area. Renting a property for a year or so before buying may be the wisest approach.

Ignoring the Tax Implications of Your Move

Most couples are currently able to exclude up to \$500,000 in gains from the sale of their home, while singles can typically exclude up to \$250,000. Your tax bracket and the length of time you've lived in your current home could impact whether taxes will be due upon its sale. You can find detailed information about this issue in IRS Publication 523.

You should also consider factors beyond income taxes on your home's sale, particularly if you are moving to a different state. Lower property taxes in your desired destination could be offset by higher sales and income taxes. Similarly, pensions and withdrawals from retirement accounts could be taxed at a higher rate than where you live now. A particular state's revenue or tax department website is a good source for this important information.

Ignoring Closing Costs

If you haven't bought or sold a home in quite a while, you may have forgotten about all of the closing costs involved. Title insurance, escrow fee, recording fees... the list of miscellaneous charges can seem endless. In addition, if you use a real estate agent, commissions can be as high as 6% according to Realtor.com. In addition, don't forget about the cost of moving your belongings to your new home.

The bottom line is this: Do your research and run the numbers carefully before downsizing. You may find ways to save a significant amount of money on your move, or perhaps you'll realize that you should stay where you are for now.



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A PERSONAL NOTE FROM KIMBERLY

Dear Clients and Friends:

I hope this newsletter finds you safe and healthy. As we slowly return to the “new normal,” I hope you will find the information contained in this newsletter helpful. During the time of uncertainty, it is even more important to make sure your estate plan is up to date. If you have not yet had your estate plan reviewed in the last three years, please give us a call to schedule a review meeting. We’re here to assist you.

I look forward to hearing from you.