// THE FAMILY WEALTH PLANNING SOURCE

FEBRUARY 2021 NEWSLETTER

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This February . . .

When we think of February, it's hard to overlook the importance of Valentine's Day. It's a day to tell those we love just how much they mean to us. While Valentine's Day is a manufactured holiday, it does provide a great opportunity to show our love for one another.

This year was all about the candy at my house. The difference this year was that my kids were more excited about GIVING candy to their friends than they were about getting candy. I do admit though, it was close.

I think of the simpler times when we were all children. The biggest decisions we faced were what outfit to wear to school or what book to pick out at the library. I long for those days when that was the extent of the decisions that I had to make on a day-to-day basis.

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I'm sure many of you are the same way. However, as life goes on, the decisions that we have to make get tougher. There is more riding on these decisions, both emotionally and financially. More people are impacted by our decisions.

This February, commit to documenting your wishes relating to your children, estate, finances, medical care, and more. Your family will thank you enormously!

What's New With Me - Work Anniversary

Recently, we marked our 9th year in practice. From day one, I hung my own shingle and set out to build a practice that protects families and assets. When I started, I knew that helping people was my passion. I figured that if I did my job well and protected families' futures, that I could make this practice work.

Every day I have gotten up and worked hard. I have traveled all over Texas and New Mexico to meet with people. It has been a long, hard road and will continue to be going forward. And I know that and it's okay.

The one thing that I never expected was to be treasured by families for helping them during the hardest times of their lives. I have been repeatedly thanked for dealing with estranged family members, creditors, courts, judges, other attorneys. There have no doubt been some difficult conversations but in the end they have all been worth it.

I expect the next 9 years to be a challenge, filled with ups and downs. However, I know that if I keep taking care of families, it will all work out in the end. Thanks to all of you that have placed your trust and confidence in this firm. It is forever appreciated!

Tip of the Month

Lifetime Gifting

Since February is a month of giving, I thought it would be pertinent to discuss the topic of lifetime gifting. Making gifts during one's lifetime is a common estate planning strategy that can also serve to minimize transfer taxes upon your death. In certain situations, giving property to your heirs during your lifetime can be more advantageous than waiting until your death.

First and foremost, making a lifetime gift affords you the satisfaction of seeing the recipient enjoy your gift. For many people, gifting is used to minimize transfer taxes. Each person can make annual gifts of $15,000 ($30,000 for married couples) without triggering any gift tax. These gifts can be made to any number of people so long as any one individual does not get more than $15,000 (or $30,000 if you are married). As an example, you can give away $150,000 this year if you chose 10 different people to receive $15,000 each. Again, double those numbers if you are married.

Another advantage is that property you give away during your lifetime that is expected to appreciate in value removes the future appreciation from your taxable estate. This is more important for individuals that are at or above the estate tax exclusion amount (currently $11,700,000 per person).

As with anything, lifetime gifting does have its disadvantages. Generally speaking, if you give property away during your lifetime, your tax basis in the property is carried over and the recipient takes the property subject to your tax basis. So, if you give your $1 million home that you purchased for $15,000 to your brother, your $15,000 basis carries over to your brother. If he sells the house immediately, income tax will be due on the resulting gain of $985,000.

Contrast this with waiting until your death to give your $1 million home to your brother. In that scenario, your brother will get a "stepped up" basis in the property equal to the property's fair market value at the time of your death. So if the home you purchased for $15,000 is worth $1 million when you die, your brother gets the property with a tax basis of $1 million. If he immediately sells the home for $1 million, he will pay no federal income tax.

Remember that the federal gift tax exclusion allows you to give $15,000 a year to as many individuals as you want gift tax free. If you are married you can elect to gift split, which allows you to give $30,000 a year to as many individuals as you want gift tax free.

If you are contributing to a child or grandchild's Section 529 college savings plan, you can give $75,000 in 2021 gift tax free, though you will have to report the gift over a period of five years. If you and your spouse contribute together, this amount is $150,000.

An important exception to the gifting rules apply when you pay a medical or educational institution directly on behalf of a recipient. If made directly to the institution, there is no gift tax consequences regardless of the amount paid. This means that you can pay for tuition and fees, medical procedures, and hospital visits. **You can also pay for health insurance premiums for a recipient and not be taxed for gift tax purposes.**

In making lifetime gifts to heirs, you must factor in all of these things in order to make the best decision for your situation. For some it makes a lot of sense to give away property during his or her lifetime. For others, it is more advantageous to give away property at death. What is right for you and your family depends upon many factors. Give us a call today to discuss your situation and your options.

Favorite Feel-Good Moment

Dismissal of a Lawsuit

I had a client that came in who was being sued for back-taxes owed on a mobile home and the property the home was located on. According to the lawsuit paperwork, taxes had not been paid since 2011.

My client explained to me that he had not had the property since 2003 when he surrendered it to the lender in bankruptcy. The lender was supposed to update the public records with the State of Texas to show that my client no longer had any ownership interest in the mobile home or the land.

Due to the lender's failure to make the proper updates (and this happens all too frequently), my client was sued by the taxing authority for the county, the school district, and the hospital. The lawsuit asked for more than $3,000.00 in back taxes.

When he came to me, he was in a panic. It is not easy for most people to come up with $3,000.00 in a few weeks. Moreover, he felt as if he shouldn't have to pay them since he was not the owner of the property during the tax years of 2011 through 2016.

I explained to him that I thought we had a really good chance of being able to get the lawsuit dismissed if we simply showed the taxing authority and its lawyers that my client gave the property up more than 10 years ago.

We filed an answer asking the Court to dismiss the lawsuit. The lawyer for the taxing authority then filed a Motion to Dismiss the suit and the Court signed an Order saying the same.

It is always a good day when I can call a client with good news. I let him know that the case was dismissed and that he did not need to worry about coming up with the money or worrying about a lengthy drawn-out court battle.

He was overjoyed and thankful. I was thankful to that he had the trust and confidence in me to get the job done.

Calendar of Events

February 2021 – March 2021

February 26 – Community Property and Estate Planning Law Journal Seminar (Office Closed)
March 15-19 – Spring Break

Administrative Announcements

Guardianship of Minors Documents

Our kids are the most important things in our lives. **Because they are, we are offering half off on all guardianship of minor documents for the next thirty (30) days.** These documents include, but are not limited to, declarations of guardian (so that you may nominate the guardian(s) of your choice), letters of instruction (to outline your wishes relating to your children), child-care authorizations (to give the authority for someone else to make decisions for limited amount of time), and more.

We never expect the unexpected to happen but many of the associated problems can be remedied with a careful planning.

For instance, don't you want to ensure that someone can take your kids immediately in the event of an emergency? Don't you want your kids to be raised in the manner that you prefer? Don't you want your children to be taken care of by the people of your choosing? Do you want the state to make all of these decisions for you?

I know I want a plan put into place that will take into account or wishes/desires. **Mention this ad and receive fifty percent off of all guardianship of minor documents.**

Contact

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