P2 / Did you miss January's Learning Café on getting the most from your Life Care Plan? Catch up here.

P3 / You've created a trust. Now what? This month's guest columnist outlines what happens next.

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Trump Tax Plan: Top Five Changes for Seniors

On December 22, 2017, President Trump signed the long-awaited tax bill into law. How will the new tax law affect seniors and the families who love and care for them? Certified Elder Law Attorney Barbara Boone McGinnis lists the top five changes that are expected to impact seniors.

#1: Standard Deduction Increases: The standard deduction will nearly double under the Trump tax plan. The plan calls for increasing the standard deduction to $12,000 for individuals and $24,000 for married couples filing jointly. Before the change, the standard deduction was $6,350 for individuals and $12,700 for married couples. "For seniors who don't itemize, this could lower their overall tax bill," noted Barbara.

#2: Mortgage Interest Deduction Limited: The new tax plan calls for changes to the mortgage interest deduction. Currently, homeowners who itemize their taxes can deduct their mortgage interest payments on mortgages up to $1 million. The new law limits the deduction to mortgages up to $750,000 for new buyers, and current homeowners will be grandfathered in at the current level. "Many seniors don't have mortgages and won't be affected by this change," Barbara said. "However, the new law abolishes the deduction on interest paid on home equity lines of credit. More seniors will notice this."

#3: Estate Tax Deduction Doubles: While this sounds like a major change, it will affect only the richest families. Under current law, the estate tax (40%) applies when multimillionaires transfer property to heirs. The Trump tax plan calls for doubling the estate tax deduction to $11.2 million for individuals and $22.4 million for couples "This doesn't eliminate the estate tax, it just means that wealthy families can transfer more money tax-free to their heirs, at least for a while" said Barbara. "The exemption reverts to previous levels in 2026."

#4: Medical Expense Deduction Expands for 2017 <u>and</u> 2018: The new tax plan allows taxpayers to deduct medical expenses that are 7.5% or more of income. Before the bill, the cutoff was 10% for those born after 1952. The deduction increase will affect 2017 tax returns. "Many seniors don't know which medical expenses qualify for the deduction," Barbara noted. The IRS offers guidance at http://bit.ly/2EeMqWl or view an abbreviated list of qualified medical expenses at http://intuit.me/2CaCszp.

#5: Seven Tax Brackets, New Rates: The number of brackets hasn't changed but the rates within each bracket have. The new brackets will have rates of 12%, 25%, 35%, and 37%. It's worth noting that the highest proposed tax rate (37%) would apply to single taxpayers with an income threshold of $500,000 and to married couples earning more than $600,000. Under the current income tax brackets, the highest rate (39.6%) kicks in for single taxpayers earning more $418,401 or more and for married couples earning $470,701 or more. "If you're a retired person in a more modest tax bracket, you won't notice much of a change," said Barbara.

The Takeaway: The Trump tax plan helps businesses more than individuals. Business tax cuts are permanent while the individual cuts expire in 2025. "If you're a senior with substantial wealth, you'll notice significant changes," Barbara added. "For most seniors, it will be business as usual."

Team Tidbits

Active in Their Communities

Everyone on the Takacs McGinnis staff is passionate about making a difference in the lives of clients. Several are just as passionate about community service.

Tim Takacs is a member of the Tennessee Trails Association, a non-profit organization that promotes hiking in Tennessee. Tim also served two terms as Sumner County Commissioner in the 1990s and was one of the founding members of Friends of Arts and Literature in Sumner County (FOALS), the driving force behind the construction of Hendersonville's library in 2008.

Barbara Boone McGinnis is active in the Hendersonville Morning Rotary Club and Community Life Bridge, a Sumner County non-profit that is currently working on the development of a volunteer transportation network for seniors. Barbara is also on the New Member Committee at Bluegrass County Club, and she serves as the president of the Villages of Stoneybrook homeowners association.

Lisa Proctor is a member of Whites Creek Community Club, Whites Creek Historical Society, and Friends of Whites Creek. She owns and manages a farm in Whites Creek that spent four years supporting a non-profit that serves men recovering from addiction and mental health challenges.

Joshua Bey, a former college football player, served for many years as one of the assistant coaches for the Springfield Junior Pro Football League.

Getting the Most From Your Life Care Plan

If you're a Takacs McGinnis client with a Life Care Plan, how do you make the most of your engagement with the firm? Staff members answered this question in detail at the January 18, 2018 Learning Café.

In short, a Life Care Plan gives a family a team of advisors who help find, get, and pay for quality care for an elderly loved one. Clients with a Life Care Plan receive a comprehensive action plan for the coordination of care and for the preservation of family assets. They enjoy guidance from the firm's Certified Elder Law Attorneys, Elder Care Coordinators, and Medicare and Public Benefits Specialists. If public benefits will be used to pay for care, the firm will help the elder qualify. Also included is assistance and advocacy when a crisis occurs, personal care and business affairs advocacy, and help locating care providers, including residential facilities and specialists. Comprehensive estate planning and asset restructuring as appropriate for the client is also a part of a Life Care Plan.

The digital version of this article includes more information, including a video recap of the session, and information about Life Care Planning, elder care law and the Takacs McGinnis Team. Read more at http://bit.ly/2GP9aJv.

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Did you know that the digital edition of The Continuum often contains bonus content?
Email us at continuum@tn-elderlaw.com to subscribe to the digital edition.
If you know someone who might benefit from this publication, we encourage you to share it.

Guest Column

So You've Created a Trust... Now What?

By Kevin Collier

Many of the clients of elder care attorneys create trusts to either avoid probate or protect assets for numerous reasons. Once you have created a trust, the next step is "funding" the trust. This simply means transferring title of your assets to the new trust entity. Without funding your trust, you've defeated the purpose of the exercise. Most clients who pay attorneys to create trusts drop the ball when it comes to funding their trusts. They've wasted their money. Following through on the instructions of your attorney to retitle assets is a critical step.

One of your most important partners in helping you follow through in funding your trust is your financial advisor. Investments, annuities or bank accounts that you own personally will likely need to be retitled to the trust name. In the case of retirement accounts, your attorney will often recommend that your beneficiary or contingent beneficiary be named as the trust. Your advisor can help by providing the paperwork and the assigning of account numbers for the new trust entity.

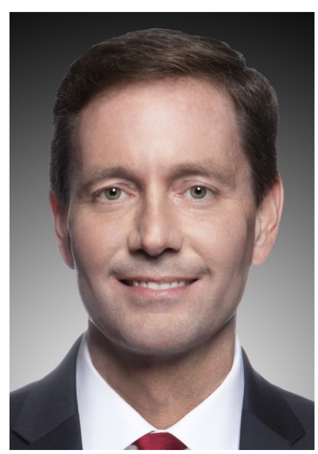
In addition, the financial objectives of the trust will need to be considered so that an appropriate investment strategy can be determined. Your financial advisor will be a key ally in this endeavor. For instance, some trusts are meant to maximize the value to the ultimate beneficiaries such as sons and daughters. An appropriate investment strategy might include positioning in growth assets by utilizing tax-efficient mutual funds or exchange traded funds. Another objective might be to produce income to help pay for long term care expenses.

Recently, our firm started working with a son and daughter who are acting as trustees for an asset protection trust for their elderly mother. Mom has recently moved out of her home into an assisted living facility. The trustees gathered together Mom's CDs, bank accounts, and a few investments and retitled those assets into the trust. They also sold mom's house and contents to provide additional principal to the trust. When we first met the trustees, they were cash flow negative over $2,000 per month because mom's income was not sufficient to pay her expenses. They were spending down the principal mom had worked hard to accumulate over her lifetime. Once the assets were funded into the trust, we were able to reposition into a portfolio of income-producing investments.

Once you've created a trust it is an excellent time to re-evaluate your objectives and the types and kinds of investments you are using. Getting a "second opinion" from a trusted financial advisor is an excellent way to determine if you are already on the right path or if there is an opportunity to make improvements. Be sure to ask your attorney for the name of an advisor that they regularly work with in these matters. A professional referral such as this is usually a huge step in the right direction.

This is a hypothetical situation based on real life examples. Names and circumstances have been changed. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments or strategies may be appropriate for you, consult your financial advisor prior to investing.

This information is not intended to be a substitute for individualized legal advice. Please consult your legal advisor regarding your specific situation.



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