

# your estate matters

## When Is the Best Time to Start Planning for Next Year's Taxes?

### Actually, Right Now

Tax time is here, which means you're knee-deep in pulling together the information needed to file your 2018 taxes.

While you can still make contributions to an IRA or a Health Savings Account (HSA) and reap the tax advantages, unfortunately that also means there are few other options available to reduce your 2018 tax burden.

However, you can start planning for 2019 now. Start by setting up better record-keeping systems. It's easy to gather receipts, tax payments, bank statements, etc.

What about things like energy efficiency tax credits? Many Energy Star rated products (go to [energystar.gov](http://energystar.gov) for a complete list) qualify for federal tax credits. For example, if you install a new heat pump you could qualify for a \$300 tax credit. The same holds true for other expenses like childcare costs, education costs, charitable contributions, qualified business expenses and home office expenses.

Your accountant can provide a tax-preparation checklist to help you stay on track. Don't have an accountant? That's ok, there are many checklists widely available online, which you can find simply by searching for "tax reporting checklist."

Have you considered the timing of certain expenses? For example, qualified medical expenses can be deducted if they exceed 7.5 percent of your adjusted gross income and you itemize your deductions. If a child is scheduled to get braces next year, and you have already incurred sizable healthcare costs this year, it could make sense to move the orthodontic procedure to December and "bundle" those expenses in order to exceed the 7.5 percent threshold.

Finally, don't forget to evaluate the tax impact involved in selling a major asset. Holding a stock for over one year allows you to qualify for the long-term capital gains rate of up to 20 percent depending on your income. Sell earlier and the gain is taxed as ordinary income at a rate of up to 37 percent, depending on your income.

That's why your 2019 tax year planning should start now—not next April.

## Scent Preservation Kits? They Really Work

Caring for others who are unable to care for themselves is hard enough. Imagine though if someone you love accidentally wandered off and couldn't find their way home. How would you find them?

In that situation, a scent preservation kit could be a great solution. Scent-preservation kits usually include a sterile gauze pad and a special jar. Someone's scent can be preserved for years with a simple swipe of the gauze under their arm.

That's exactly what happened last year in Florida. When a woman with dementia went missing from her home, a police dog smelled her scent preservation pad and was able to locate her in minutes.

You can buy kits online or even make your own. If a loved one goes missing, it might be the quickest way to find them. Just make sure you have a treat for the amazing dog who comes to their—and your—rescue.

## The Ins and Outs of 529 Plans

### Saving for College Can Also Be Great for Estate Planning

Here's what you may know about 529 plans: a 529 plan is a tax-advantaged investment vehicle designed to encourage saving for future education costs. There are two types of 529 plans: prepaid tuition plans and education savings plans. A prepaid tuition plan covers future tuition costs, typically at in-state public institutions. Education savings plans are used to save money for tuition, room and board, mandatory fees, and other education-related expenses.

In short, a prepaid tuition plan may be used only to pay tuition; funds in an education savings plan can be used for any qualified expenses.

While contributions don't qualify for a federal income tax deduction, many states offer a deduction for a contribution to a 529 plan. Withdrawals are tax-free too, as long as the funds are used to pay for qualified education expenses.

Here's what you may not know: 529 plans are not just great college savings vehicles, but can also be used to pay for quali-

fied primary and secondary school expenses. You can distribute up to \$10,000 per year per student for qualified primary and secondary expenses.

There's one other thing you may not know about 529 plans: they can be great estate planning tools. While the funds held in a prepaid tuition plan typically grow at a marginal rate, many education savings plans have a wide variety of investments available. Best of all, the gains are tax-free—That makes a 529 plan much like a self-directed IRA. Because funds held in a 529 plan are considered to be outside the taxable estate, this makes them one of the few investment vehicles that allow you to maintain control of your assets while not having them taxed as part of your estate at your death.

Keep in mind different states treat 529 plans differently for Medicaid purposes. Many institutions take 529 plans into account when determining suitability for financial aid. Still, 529 plans can be a great primary or secondary education savings tool—and a solid estate planning tool, too.

## Does a Child You Love Have Special Needs?

### Consider a Supplemental Needs Trust and an ABLÉ Account

When a child has physical, emotional, or mental challenges, careful estate planning is crucial. That's why creating a plan that includes a Special Needs Trust can help preserve a child's eligibility for government benefits and other needs-tested programs, while ensuring funds are available to cover gaps not provided for by those programs.

Setting up an Achieving a Better Life Experience (ABLE) account, also known as 529A or 529 ABLE, can help with covering additional needs or services. These accounts are savings programs for certain disabled individuals that do not affect eligibility for Medicaid. Further, to the extent that the account has less than \$100,000 in it, it won't affect eligibility for Supplemental Security Income (SSI) either. They are intended for individuals disabled by the age of 26, and allow for a maximum contribution of \$15,000 per year. The donor then becomes the owner of the account, and funds can be used for expenses like housing, transportation, education, employment training and support, assistive technology, and even funeral and burial expenses.

Keep in mind, gifts to the account are tax-free, as are withdrawals if used to pay for qualified medical expenses. Income earned within the account is also tax-free.

For example, say your son requires special care. Due to his condition he qualifies for Medicaid and receives aid to help with his daily living and medical needs. You wish to leave him money to help make his daily life better, but if your retirement funds pass directly to your son, receiving those assets may disqualify him from receiving Medicaid benefits.

Funds in an ABLE account could be used to pay for "in-kind support and maintenance" (ISM) expenses. Generally speaking, ISM includes income that is not earned and that results in food, shelter, and basic living expenses. Then, funds in the Special Needs Trust could be used to pay for other expenses like recreation or transportation—things that improve your son's quality of life.

By creating a Special Needs Trust and an ABLE Account and providing assets to supplement benefits received from government programs, the trustee can deploy those funds for the best use and comfort of the beneficiary and pay for items and services Medicaid will not.

Contact our office to set up a Special Needs Trust and an ABLE Account. When used properly, these tools ensure your child will receive funds and assets without creating unwanted problems. That's the best way to care for your child with special needs without compromising the benefits he or she is entitled to receive.

## Can You Guess this Legacy?

With 77 Hot 100 hits, 17 Top Ten pop singles, 100 R&B hits, and 20 number-one R&B singles, she was the most charted female artist in history. “Respect,” arguably her most famous song, has been used dozens of times in films, on television, and referenced countless times in popular culture.

Aretha Franklin’s legacy as an artist is assured, yet the legacy her estate will pass on is less certain. Aretha passed on without an estate plan. According to intestate succession laws in Michigan (where she lived when she passed away)

her four children—including one with special needs—should receive equal shares. Her estate is worth an estimated \$80 million and the potential for claims that result in legal battles could result in up to 30 percent of her estate going towards those legal fees and claims. That’s 24 million dollars! Even if it doesn’t end up eating the full 30 percent, the process of settling her estate is likely to be much more expensive and time-consuming than if she had an estate plan in place.

*What will your legacy be?*

## Message from the Firm Founder

We continue to expand our capabilities and services to meet the demands of a complex and ever-changing world, and the concerns that are most important to our clients. Hands down, the most common question we hear (other than how to avoid probate), is how to become eligible to receive Medicaid benefits for nursing care expenses without going broke (or almost broke) first.

This is a valid concern, as we see clients pay \$10,000 a month or more for skilled nursing care. Assisted living can run in the \$5,000 to \$7,500 range. It’s easy to see how such costs can decimate a family’s nest egg. In-home caregiving services can be just as costly. That’s why, over the past 10 years, helping people plan for nursing care costs has become a big part of what we do.

What is your plan to pay for these costs if they are needed? Most of our clients say they have no plan, have never thought about it, or have no choice but to pay for care until they run out of money and qualify for Medicaid.

The truth is that many people get Medicaid nursing care benefits without spending their life’s savings for nursing care first. What do those people know that others do not? If you’d like to learn how to protect your assets and how to make a plan for nursing care costs, contact us for a free Trust Review, or attend one of our Medicaid planning workshops. Call 513-721-1513, toll-free at 1-866-799-4050, or visit [www.zimmerlawfirm.com](http://www.zimmerlawfirm.com) to schedule a meeting.

## About Barry H. Zimmer

### Barry H. Zimmer, The Zimmer Law Firm

Mr. Zimmer focuses his practice in estate planning and estate administration services. He is a founding member of the American Academy of Estate Planning Attorneys, a national organization dedicated to assisting member lawyers with continuing legal education and training in the latest estate planning laws and techniques. In recognition of his advanced training, experience and commitment to the field of estate planning, the Academy awarded Mr. Zimmer the Academy Fellows designation in 2008, 2013, and 2018. The firm’s range of services includes Living Trust-based estate plans; will-based estate plans; trust settlement and administration; probate estate administration; Medicaid asset protection planning, advanced planning for affluent clients and pre-marital agreements. Contact The Zimmer Law Firm at (513) 721-1513 or visit the website, [www.zimmerlawfirm.com](http://www.zimmerlawfirm.com), for estate planning information, and schedules of upcoming estate planning seminars.



[www.zimmerlawfirm.com](http://www.zimmerlawfirm.com)

*Member of the American Academy of Estate Planning Attorneys*



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