

February 15, 2010

Dear Review & Safekeeping Clients,

1. Estate & Gift Taxes. For the first time since the 1920's, the U. S. is without an estate tax. Congress failed to enact new estate tax legislation in 2009. The last estate tax legislation passed by Congress in 2001 provides for the "repeal" of the estate tax in 2010 and then resumption of the estate tax on January 1, 2011 with an exemption equivalent amount of \$1,000,000. This would be a good year for us to review your estate plans if your estate is larger than \$1,000,000. The annual gift tax exclusion remains at \$13,000 per individual. The lifetime cumulative gift tax exclusion remains at \$1,000,000 for gifts over and above any annual exclusion gifts or gifts for educational or medical benefits.
2. Modification of Step-Up in Basis Rule. Technically, there is no step-up in cost basis for appreciated assets equal to fair market value on date of death as of January 1, 2010, but there is the possibility for step-down because basis may not exceed fair market value on date of death. However, the estate's executor may allocate up to \$1.3 million in basis adjustments. An additional \$3 million in basis adjustments may be allocated to assets passing to a surviving spouse.
3. Federal Insurance for Bank and Financial Accounts. Bank savings accounts and certificates of deposit are now insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per individual, per bank. This coverage has been extended through December 31, 2013. For more information see [www.fdic.gov](http://www.fdic.gov) and [www.sipc.org](http://www.sipc.org).
4. Asset Protection Trusts. Clients who are concerned about claims of creditors, or do not have sufficient assets to pay for nursing home care may want to consider the use of an asset protection trust. All or part of your assets may be transferred into an irrevocable net income trust. Assets transferred to such trusts are immediately non-countable for purposes of qualifying for veteran's benefits and are non-countable after five years for purposes of qualifying for medicaid long term care benefits. The downside to these trusts is that they involve a significant loss of control over your assets. We would be glad to discuss your options with you.
5. Roth IRA Conversions. Until this year, clients with adjusted gross income above \$100,000 were not eligible to establish a Roth IRA - now they are. This is an excellent time for anyone with IRA assets to consider a conversion to a Roth IRA. The cost of conversion is the additional income tax which must be paid on transfers from a traditional IRA. The advantage of holding your retirement in a Roth IRA is that, in addition to tax-free accumulation of earnings within the account, distributions are generally tax-free. We recommend that you evaluate the costs and benefits of a Roth conversion with your tax accountant.
6. Office Personnel Update. In August we welcomed Kristin Procanick as our full-time administrative assistant. Kristin Johnson has been with us for over two years as our part time administrative assistant.

7. Adult Kidnaping - Continued. Last year we reported on a disturbing trend developing in connection with elderly clients without children or close relatives. Long lost friends and distant relatives will show up, move in, or in some cases, move an individual from one nursing home to another. Often checking accounts and investment accounts are raided. Last year we suggested a co-trustee arrangement and notice to existing trustees and attorneys-in-fact under trusts and durable powers of attorney. In addition to these precautions, serious consideration should be given to naming a professional trustee, such as a bank trust department, as trustee in these cases.

8. E Bonds. The world's most widely held security, Series E savings bonds, will stop earning interest in 2010. These bonds had fixed 10-year terms, but often extensions were granted, sometimes for as much as 30 additional years. If you hold any government bonds, now would be a good time to review them to be sure they are still paying interest, and if not, consider an alternative investment. Should you decide to continue to hold your government bonds, be sure they are titled to your trust, or transfer on death to your designated beneficiary.

9. Business Succession Planning. If you are the owner of a business, it is advisable to have a plan in place which preserves the value of the business and provides for continuation of operations in the event of the unexpected departure of the owner or one of the co-owners. Please contact us to discuss the use of a buy-sell agreement and to review your business succession plans.

10. Reading Library. As a review and safekeeping client, you are welcome to make use of our reading library at our residential office. We usually have a quiet place available where you may find useful information related to medicare, medicaid, social security benefits, veteran's benefits, long term care insurance, asset protection trusts, nursing home issues, and a host of other elder law topics.

11. Durable Power of Attorney Updates. Don't forget to update your durable powers of attorney at least once every five years. Some financial firms will not recognize a durable power of attorney which is dated more than five years ago. This past year we added an authentication provision in our durable power of attorney documents to make it easier for you to obtain a certified true copy.

12. Identity Theft Precautions. For those of you attending one of our dinner seminars this spring, we have a hand-out related to practical precautions you can take to protect yourself from identity theft.

We had excellent attendance at our annual dinner seminars last spring with approximately 350 of our clients and their invited guests joining us for a complimentary meal and a light-hearted review of estate planning issues. We hope you and your guests will join us this year for one of the many sessions offered in the enclosed flyer. If you have a special interest in Roth IRA conversions, I recommend you make plans to attend one of our Branson sessions where I will be assisted by CPA's Jim Welch and Brent DeRossett.

Thank you for the opportunity to serve you and your family as your estate planning attorney.

Best regards,

Bob Ingold