

HALES & GEORGE

ATTORNEYS AT LAW

N E W S L E T T E R

Devoted to Estate and Business Planning Law and Trust Administration Since 1972

IS THE FEDERAL ESTATE TAX LAW GOING TO CHANGE? YOU BET!

Efforts to repeal the federal estate tax occur on an annual basis, usually around tax filing season. Congress didn't disappoint this year as the House voted on April 16, 2015 to repeal the estate tax. The 240-179 vote broke down largely on partisan lines, with seven Democrats voting to repeal the estate tax and three Republicans voting against it. The White House has threatened to veto the measure, but the bill does not appear to have the sixty votes necessary to break a Democratic filibuster and get through the Senate.

Currently for 2015, pursuant to the "permanent" federal estate tax provisions of the American Taxpayer Relief Act of 2012 ("ATRA"), estate taxes are only applied to estates worth more than five million four hundred

thirty thousand (\$5,430,000.00) for an individual or ten million eight hundred sixty thousand dollars (\$10,860,000.00) for a couple. Assets above those levels are taxed at rates up to forty percent (40%). According to government estimates, about fifty four hundred (5,400) estates will be affected this year.

In President Obama's proposed 2016 budget several items in the "permanent" provisions of ATRA were modified, including a proposal to take the federal estate tax exclusion back to 2009 levels, which taxed estates exceeding three million five hundred thousand dollars (\$3,500,000.00) at a maximum of forty-five percent (45%).

Will the federal estate tax law continue to be debated and changed in legislation? You bet, so long as politicians continue to need money to run re-election campaigns. "Gucci Gulch" is the nickname for the corridor outside the hearing room of the U.S. Senate Committee on

DOES YOUR ESTATE PLAN STILL WORK?

One of the most often asked questions by our clients is when should they make an appointment to review and discuss their estate plans. We think you should call us and schedule an appointment if several years have elapsed since our last meeting or if you are contemplating changes in your documents.

We also encourage you to schedule an appointment if you have any questions or concerns about your documents or just wish to review your estate plan. We have detailed below some of the examples of occurrences that necessitate a review of your estate plan.

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DOES YOUR ESTATE PLAN STILL WORK? (and other reasons to meet with Hales & Geoge)

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Update Exhibit A's

Your Exhibit A **must be kept current** because it lists the assets that are in your Living Trust. Remember, the original Exhibit A was returned to you with your other original estate planning documents. **You must add and delete assets** as appropriate, sign, and date it. If you own real property, you must add the real property on your Exhibit A and you must have a **Deed transferring the property into the Living Trust**. **Please call us for a meeting to review your assets and Exhibit A and ensure that all is current.**

Review Beneficiary Designations

Assets like life insurance, 401k's, IRA's, etc. have beneficiary designations which you must complete. The beneficiary designation mandates who the beneficiary is when you die. If you want your Trust to be the beneficiary of these types of assets, the beneficiary designation must list the Trust. **The mere listing of these assets on the Exhibit A does not designate your Trust as the beneficiary.** **The beneficiaries you designate on your IRA's and retirement plans have very serious implications for income taxation and estate planning at your death. It is imperative that you understand the tax**

ramifications of who your beneficiary is. Please make an appointment to discuss this with us if you are unsure.

Children Need Durable Powers of Attorney and Advance Health Care Directives

When children attain age eighteen (18), their parents no longer have any power to make decisions for them, even if the children are incapacitated. Therefore, if parents want to act on behalf of their adult children (yes, they are adults if they are 18), the children must execute a Durable Power of Attorney for legal decisions and an Advance Health Care Directive for health care decisions, naming their parents as their agents. Of course, all adults should also have these documents and a wallet card to prevent a time consuming and expensive conservatorship proceeding. Please call us if you would like us to prepare these documents.

Protect Investments with a Limited Liability Company (LLC)

Many of our clients are placing their businesses or rental properties into LLC's to shelter themselves from liability. For example, if a problem occurs in your business or rental property and you are sued and lose, all of your assets could be lost without the protection of a LLC. If your business or properties

are in a LLC and you lose in a law suit, the only assets subject to the lawsuit are the assets in the LLC, not your total estate.

Changes Regarding Children and/or Grandchildren

Children born to you after the execution of your estate plan must be added to your documents. Also, if children are now adults, you may wish to change the distribution of your assets to the children or you may want to consider the children as Successor Trustees. Additionally, with the birth of new grandchildren, many of our clients consider a bequest of a percentage of their assets to their grandchildren, for example, for their education.

Death of a Spouse, Trustee or Beneficiary

If your spouse has died since you both created your Living Trust, you should contact our office. At the death of a spouse, a process called Trust Administration is necessary to administer your Living Trust and take full tax advantage of the laws. Please call us if a death has occurred because we initially planned your estate and we are best prepared to administer it after a death. Additionally, if a Trustee or a beneficiary of your trust is deceased, we should discuss replacements and the distribution of your estate.

Miscellaneous Reasons:

- Marriage or Remarriage
- Separation/Divorce
- Children with drug/alcohol problems
- Children with special needs
- Review Overall Estate Plan

HALES & GEORGE WEBSITE AND E-MAIL ADDRESS

Hales & George Website is at www.halesgeorge.com

Please visit our site for interesting articles and more information about our law firm.

Or e-mail us at postmaster@halesgeorge.com or Bill George at bgeorge@halesgeorge.com

or Jan Marie Hales at jhales@halesgeorge.com

DO YOU OWN A BUSINESS OR ASSET WITH FAMILY OR PARTNER?

One of the biggest reasons for the failure of a business to transition to the next generation or for the disintegration of a family relationship is the lack of a plan for distribution when someone dies, becomes incapacitated or wishes to sell their interest. We have time tested ideas of how to be sure that when your business Partner dies, you are not in business with their spouse (or worse with their children) or when an unfortunate event occurs in your business you have developed a plan. Please see our website at www.halesgeorge.com for articles discussing some of the above issues or call our office for a meeting.

YOUR ADULT CHILDREN NEED ADVANTAGES OF AN ESTATE PLAN

Most of us know that a properly maintained Living Trust avoids the expense of Probate and years in the Probate Court. We also know that a Trust maximizes the federal estate tax exemptions. Additionally, we know that a Trust guarantees to whom your estate will be distributed and manages the estate for your loved ones until the assets are distributed. However, sometimes we forget that our adult children also need to contemplate an estate plan especially if they have children. Our children have the same problems regarding

Probate, and federal estate tax. However, if they have minor children and die with no Trust, complicated and expensive court procedures are necessary to appoint the people who will be guardians of their children and conservators of their estates. Often the court proceedings involve conflict when judges need to make guardianship choices between different families. Perhaps almost as bad, is the squandering of an estate without a Trust, because your grandchildren will receive their share of your deceased child's assets when the grandchildren attain age eighteen (18).

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Ways and Means.

This is where the nation's smoothest and most highly paid lobbyists, dressed in expensive suits and shiny Italian shoes await decisions on legislation that will mean millions and sometimes billions to their clients. The nickname reflects a cynicism about lawmaking. Politicians need large sums of money to get reelected and lobbyists represent special interests that can provide that money. When legislation like

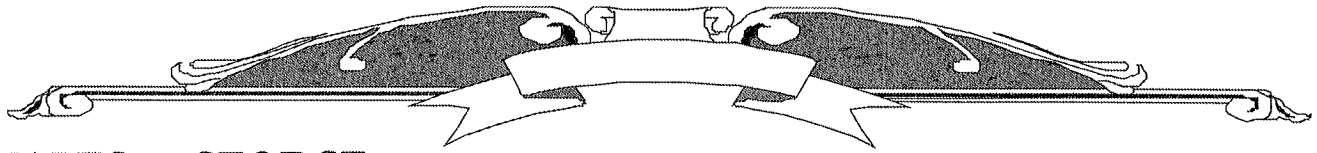
the "death tax" comes up which has fervent opinions on each side, lobbyists distribute huge amounts of cash and campaign coffers are replenished. Therefore, as was true when the Federal government enacted the Revenue Act of 1916 introducing the modern-day concept of an estate tax is true today; the only thing "permanent" when it comes to estate taxes is Congress' willingness to legislate and change the law.

NEW ATTORNEYS AT HALES & GEORGE

Reneé Conrad is an attorney with Hales & George who has joined since our last Newsletter. Reneé graduated from U.C. Berkeley with a double major, studied law at Oxford University in England and earned her law degree (J.D.) from Santa Clara University. She went on to receive a master's degree in Law from Tulane University in 1995. She began her career with an externship at Federal District Court and has been in private practice for more than eighteen years. She focuses exclusively on trust administration and estate planning. Reneé is a member of the State Bar of California and of numerous professional organizations including the State Bar of California, Estate Planning, Trust and Probate Section, Santa Clara County Bar Association, Santa Clara County Estate Planning Council, and MENSA.

Amber Booker has also joined Hales & George as an attorney since our last Newsletter. In 2013 Amber graduated Magna Cum Laude from Santa Clara University, School of Law where she received numerous Witkin and CALI academic awards and the Order of the Coif. She began her career in an employment law litigation firm and now focuses on the practice of estate planning and trust administration. Amber is a member of the State Bar of California and is a member of numerous professional affiliations such as the State Bar of California, Estate Planning, Trust and Probate Section, Santa Clara County Bar Association and the Silicon Valley Bar Association.

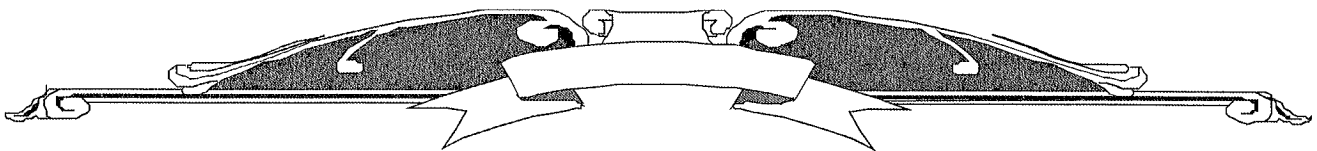
HALES & GEORGE, a family-owned law firm with offices in Saratoga and San Francisco, California, specializes in Estate and Business Planning as well as Probate and Trust Administration. Each partner of Hales & George is a member of the State Bar of California, the Santa Clara Bar Association, and the Silicon Valley Bar Association. This issue of the Hales & George Newsletter was written & edited by attorneys William P. George and Jan Marie Hales. Any questions raised by these articles can be addressed by simply writing the law firm at 19040 Cox Avenue, Suite 3, Saratoga, CA 95070 attention: H&G Newsletter. This newsletter is intended to be a source of information for our clients and associates and should not be considered personal legal advice. Laws can change frequently and rapidly. Please consult your attorney before relying on any information contained in this publication. (408) 255-6292, Fax - (408) 865-1904, e-mail: postmaster@halesgeorge.com



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Estate Plan Up-Date Certificate

As a service to our existing clients who have received this NEWSLETTER, this certificate entitles you to a meeting with an attorney from HALES & GEORGE to review your estate plan and the impact of current tax laws for a fee of \$275. This meeting will be a review of all your estate planning documents including your Exhibit "A". If any additional documents or changes to existing documents are required, an additional fee will be quoted during your scheduled appointment.

Please complete the information below and return this certificate with a check for \$275 payable to HALES & GEORGE. Upon receipt, we will contact you to arrange a convenient time to meet with you or please feel free to call us at (408) 255-6292 to schedule an appointment.

NAME: _____

ADDRESS: _____

DAYTIME OR CELL PHONE: _____

HOME PHONE: _____

EMAIL ADDRESS: _____