



**HOLMES
&
GRIFFETH**
FINANCIAL PLANNERS

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The Nest Egg

Protecting, Preserving and Building Our Clients' Assets

MINIMIZING PROBATE WHEN SETTING UP YOUR ESTATE

What can you do to lessen its impact for your heirs.

Provided by Holmes & Griffeth

Probate subtly reduces the value of many estates. It can take more than a year in some cases, and attorney's fees, appraiser's fees, and court costs may eat up as much as 5% of a decedent's assets. Probating a "routine" estate valued at \$400,000 could cost as much as \$20,000.

What do those fees pay for? In many instances, routine clerical work. Few estates require more than that. Heirs of small, five-figured estates may be allowed to claim property through affidavit, but this convenience isn't extended for larger estates.

So, how can you exempt more of your assets from probate and its costs? Here are some ideas.

Joint accounts. Married couples may hold property as a joint tenancy. Jointly titled property includes a right of survivorship and is not subject to probate. It simply goes to the surviving spouse when one spouse passes. Some states allow a variation called tenancy by the entirety, in which married spouses each own an undivided interest in property with the right of survivorship (they need consent from the other spouse to transfer their ownership interest in the property). A few states allow community property with the right of survivorship; assets titled in this way also skip the probate process.

Joint accounts can still face legal challenges. A potential heir to assets in a jointly held bank account may claim that it is not a "true" joint account, but a "convenience account" where a second accountholder was added just for financial expediency. Also, a joint account arrangement with right of survivorship may be found inconsistent with an estate plan.

POD & TOD accounts. Payable-on-death and transfer-on-death forms are used to permit easy transfer of bank accounts and securities (and even motor vehicles, in a few states). As long as the original owner lives, the named beneficiary has no rights to claim the account funds or the security. When the original owner passes away, all the named beneficiary has to do is bring his or her I.D. and valid proof of the original owner's death to claim the assets or securities.

Gifts. For 2018, the I.R.S. allows you to give up to \$15,000 each to as many different people as you like, tax free. By doing so, you reduce the size of your taxable estate. Gifts over \$15,000 may be subject to federal gift tax (which tops out at 40%) and count against the lifetime gift tax exclusion.



The lifetime individual gift tax exemption is currently set at \$11.8 million. For a married couple, the lifetime exemption is now \$22.36 million.

Revocable living trusts. In a sense, these estate planning vehicles allow people to do much of their own probate while living. The grantor—the person who establishes the trust—funds it while alive with up to 100% of his or her assets, designating the beneficiaries of those assets at his or her death. (A pour-over will can be used to add subsequently accumulated assets to the trust at your death; yet, those assets “poured into” the trust at that time will still be probated.)

The trust owns assets that the grantor once did, yet the grantor can invest, spend, and manage these assets while living. When the grantor dies, the trust lives on—it becomes irrevocable, and its assets should be able to be distributed by a successor trustee without having to be probated. The distribution is private (as opposed to the completely public process of probate), and it can save heirs court costs and time.

Are there assets probate doesn't touch? Yes, there are all kinds of non-probate assets. The common denominator of a non-probate asset is a beneficiary designation, which allows these assets to pass either to a designated beneficiary or a joint tenant, regardless of what a will states.

Examples: assets jointly owned with the right of survivorship, trusts and assets held within trusts, TOD accounts, proceeds from life insurance policies, and IRA and 401(k) accounts.

Make sure to list/update retirement account beneficiaries. When you open a retirement savings account (such as an IRA), you are asked to designate eventual beneficiaries of that account on a form. This beneficiary form stipulates where these assets will go when you die. A beneficiary form commonly takes precedence over a will.

Your beneficiary designations need to be reviewed, and they may need to be updated. You don't want your IRA assets, for example, going to someone you no longer trust or love.

If you are married and have a workplace retirement plan account, your spouse is the default beneficiary of the account under federal law, unless he or she declines to be in writing. Your spouse is automatically entitled to receive 50% of the account assets should you die, even if you designate another person as the account's primary beneficiary.

In contrast, a married IRA owner may name anyone as a primary or secondary beneficiary, without spousal consent. To learn more about strategies to avoid probate, consult an attorney or a financial professional with solid knowledge of estate planning.

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THE DETAILS MORE PEOPLE SHOULD KNOW ABOUT MEDICARE

Before you enroll, take note of what the insurance does not cover and the changes ahead.

Provided by Holmes & Griffeth

Misconceptions about Medicare coverage abound. Our national health insurance program provides seniors with some great benefits. Even so, traditional Medicare does not pay for dental care, vision care, or any real degree of long-term care. How about medicines? Again, it falls short.

Original Medicare (Parts A & B) offers no prescription drug coverage. You may not currently take prescription medicines, but you may later, and can you imagine paying out of

pocket for them? Since 2013, the prices of the 20 most-prescribed drugs for seniors have risen an average of 12% annually. Will Social Security give you a 12% cost-of-living adjustment next year?

To address this issue, many seniors sign up for Part D (prescription drug) plans, which may reduce the co-pays for certain generic medicines down the road to \$1 or \$0. As private insurers provide Part D plans, the list of medicines each plan covers varies-so, carefully check the list, also called the formulary, before you enroll in one. Keep checking it, as insurers are permitted to change it from one year to the next.

You may want a Medigap policy, considering your Part B co-payments. If you stick with original Medicare, you will routinely pay 20% of the cost of medical services and procedures covered by Part B. If you need a hip replacement or a triple bypass, you could face a five-figure co-pay. Medigap insurance (also called Medicare Supplement insurance) addresses this problem with supplemental Part B coverage. Premiums and services can vary greatly on these plans, which are sold by insurers.

If you want dental and vision coverage (and much more), you may want a Part C plan. Around a third of Medicare beneficiaries enroll in these plans, also called Medicare Advantage programs. The typical Part C plan includes all the coverage of Medicare Parts A, B, and D, plus the dental and vision insurance that original Medicare cannot provide. Medicare Advantage plans also limit beneficiary out-of-pocket costs for the services they cover.

Part C plans may soon offer even more benefits. They will be allowed to include services beyond normal medical insurance beginning in 2019. Starting in October, they can reveal what new perks, if any, they have chosen to offer. Some of the new benefits you might see: coverage for the cost of home health aides, adult day care, palliative care, the installation of grab bars and mobility ramps in the home, and trips to and from medical appointments. The list of potential benefits could expand further in 2020.

Few seniors who enroll in Part C plans switch out of them. If you enroll in one, you should realize that these plans are regional rather than national-so, if you move, you may have to find another Part C plan or return to traditional Medicare, with or without Medigap coverage.

The Medicare Advantage Disenrollment Period is disappearing. A recently passed federal law, the 21st Century Cures Act, does away with this annual January 1-February 14 window. Beginning in 2019, there will simply be an annual Medicare Advantage Open Enrollment Period from January 1-March 31.

During these three months, Medicare recipients will have the chance to either switch Part C plans or disenroll from a Part C plan and go back to original Medicare.

Some Medicare Cost plans are being phased out.

These plans, which offer some features of Medigap policies and some features of Medicare Advantage programs, are ending in certain counties within 15 states and in the District of Columbia. Enrollees are being left to search for new coverage.

If you are financially challenged, you may have options. State subsidies and Medicare savings programs are available to help households handle co-payments and deductibles under original Medicare. Some non-profit groups offer pharmaceutical assistance programs (PAPs) to help Medicare beneficiaries pay less for medicines.

Lastly, diabetics who use insulin pumps sometimes find they are better off with original Medicare as well as a Medigap policy, rather than a Part C plan. Some Medigap plans cover the entire cost of insulin. Many infusion treatments (such as chemotherapy) are also 100% covered by Medigap policies.

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INTRODUCTIONS ARE ALWAYS APPRECIATED!

Visit us on the web at:

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SAVE THE DATE!

(DETAILS COMING YOUR WAY SOON!)

October 29th-November
16th, 2018

Food Drive

Holmes & Griffeth Office
8 AM-5 PM



November 30th, 2018

Christmas Open House
Holmes & Griffeth Office
1 PM-3 PM



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