

2017 Newsletter
Winter/Spring Edition
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Welcome to 2017! I, like many of you, tend to retreat into books during Wisconsin's icy and harsh winters. For those not interested in putting the "IRS Code" on your reading list, let me share with you a few numbers relevant to estate planning.

- The exemption level for the federal estate tax is **\$5,490,000** for 2017; estates below this amount should be exempt from the federal estate tax.
- The federal gift tax limit remains at **\$14,000** per year, per person in 2017, with certain exceptions where the gift tax is not levied -- see your CPA for specific exemptions.
- In November 2016 the US Senate introduced the Retirement Enhancement and Savings Act of 2016. While not a final law, this is one to monitor -- the proposal would repeal the "stretch IRA," which allows non-spouse beneficiaries a tax-efficient option to spread distributions over their lifetime. Eliminating "stretch IRAs" may cause higher income taxes for non-spouses inheriting a traditional IRA.

There is speculation in Washington DC that the future will bring an end to both the federal estate tax as well as the federal gift tax. Watch for updates in the the Summer/Fall 2017 Newsletter.

5 Tips for Spring Breakers

Whether it's sunscreen or ski wax you plan to toss into your luggage, here are a few estate planning topics you could consider before your Spring Break travels:

1. Make sure your estate planning paperwork can be easily located if needed. If it cannot be found, it's like you do not have one.
2. If you have not already filed, leave a note about the status of your 2016 income tax filing -- who is your CPA, where are the W2s, etc.
3. If Fluffy the Cat or Fiddo the Dog will be staying home, consider giving your Financial POA the ability to make emergency vet decisions via a Power of Attorney for Finance.
4. Make sure a copy of your Power of Attorney for Health Care can be found: pack a copy in your suitcase or leave a wallet card stating it is on file with your primary care doctor (include his or her office number).
5. Confirm the beneficiary forms on life insurance and retirement accounts say what you think they say, and keep a copy with your estate plan. Those forms control the distribution of these assets when you die, not your will. Do not assume the beneficiary forms are correct.

2017 Speaking Events

Visit www.gustafsonlegal.com/events for a list of scheduled seminars on estate planning basics. In May I am speaking to an Illinois foundation on the topic of my 2013 book, *Middle Class Philanthropist: How Anyone Can Leave a Legacy*. Copies of the book are available through my office, \$5/each, including shipping.

Probates That Could Have Been Avoided

Generally, in a marital situation when the first spouse dies there is no need for a probate because all property was either titled in both names or the surviving spouse was named on a beneficiary form. Yet, I routinely open probates for a surviving spouse. The three most common causes are:

1. Inherited land -- for example, if Charles inherits a small farm from his father, the farm's deed goes from the deceased father's name to Charles' name only. If he fails either to add his wife's name or to execute a Transfer on Death Deed naming her as the beneficiary, the farm will need to go through probate before his wife can sell or manage the land.
2. Home bought prior to marriage -- in this situation Melinda bought a house 7 years prior to marrying her husband. After marriage, the house's deed remained in Melinda's name only. If she dies, her surviving husband will need to go through probate to take possession of the house.
3. Inherited investments -- in this case, Sharon inherits \$125,000 cash from her mother and opens a CD until she has a good investment plan. Time passes, the money remains in Sharon's name only, and then she dies. Her surviving husband will need to open a probate in order to access and inherit those funds.

The lesson from these three scenarios is if you are married, and you want your spouse to inherit an asset when you die, and that asset is only in your name -- explore adding his or her name via deed or beneficiary form to avoid an unnecessary probate process.

What I've Been Reading

I am a self-described bookworm, so you can guarantee I have at least two books I am reading at any point in time. I've decided 2017 will be my year to re-read the epic novel *Les Miserables*, but it was *Inherited IRAs: What Every Practitioner Must Know* by Seymour Goldberg, 2017 edition that captured my attention like no other book I have recently read. The book is filled with horror story after horror story about IRA beneficiary forms gone bad. For example:

- client updates the IRA beneficiary form and gives it to the financial representative who then fails to file the form with the parent office, leaving the IRA beneficiary form blank;
- financial companies used new tax language for new accounts, however, they failed to add the new tax language for older, existing accounts; and
- a women changing her will thought that the will would override a beneficiary designation for the IRA. The will did not override the beneficiary, leaving the assets to an ex-spouse.

The book *Inherited IRAs* underscores the need to double check beneficiary forms to confirm the form says what you think it says; to keep a hard copy for your own files; and to confirm the parent financial company's records correlate to your wishes.

Best wishes for 2017! Please call or email any address changes. Be well, and look for a 2017 Summer/Fall edition in late August!

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