

## WHAT IS CONTROLLED GIFTING?

My mom has a friend, Anita, who lives in Florida. She was 83 years old when this happened. At the time, Anita had a 56-year-old daughter (we will call her "Jane") who was married for the second time. Jane's husband was named Johnny and she lived close to Anita. Both Jane and Johnny had children from their first marriages, but not together. Jane told Anita if she transferred her home to Jane and retained a Life Estate in the property, after three years (the period is now five years), the home would be protected from Medicaid should Anita go into a nursing home. Also, when Anita passed away, the home would go to Jane without probate, and if Jane sold the home, there would be no capital gains tax. Anita agreed to make the transfer. Two years later, Jane was diagnosed with a terminal illness and passed away within eight months. Everyone was devastated. Anita's right to live in the house was unaffected due to the Life Estate. The problem that arose was that Jane only had a simple will with Johnny, which meant that Anita's property would be Johnny's upon her passing. Anita wanted to leave her house to her grandchildren. When she asked Johnny to transfer the property back to her, he refused. Johnny married for the third time and moved out of the area. The chances of Anita's grandchildren getting her home are close to zero. Anita is now 96. She's determined to outlive Johnny.

How do you safeguard your estate and make sure it goes to your loved ones? The answer is trusts specifically designed to keep assets in the bloodline. If you have similar concerns, please call us.

## BULLET-PROOF BOX

Advice you get from your neighbor is sometimes good and sometimes bad. The good is usually about household tips - how to have a greener lawn, how to prevent a flooded basement, how to bake the perfect apple pie, etc. The bad has to do with asset protection strategies. "My husband's mother put her house in his name ten years ago and now that she is in a nursing home no one can get to the house. Sounds good, let's do it."

Has someone told you that you need to give your assets away to protect them? If you transfer your assets you will lose control, be dependent on those you transfer them to, increase taxes, risk losing the assets due to children's mistakes and/or lack of planning and risk Medicaid eligibility.

If you want to protect assets, both real estate and money, there is a right way and a wrong way. To just give them away is the wrong way - there's too much risk. The right way is with the use of a specially designed trust we call a bullet-proof box which allows you to 1) control your assets for life while still getting income, 2) has an "escape hatch" to access assets if needed, protects assets from nursing home, lawsuits and divorces and 3) allows you to qualify for Medicaid in the shortest period possible.

Which strategy sounds like the better choice? Strategy One - give everything away or Strategy Two - the bullet-proof box. Come in for a meeting to discuss your needs and options.

## CALCULATING RMD FOR IRA OR EMPLOYER PLAN

Recently, a radio listener asked this question, "I have two IRAs and a 401(k) plan. Can I calculate my total required minimum distribution for all three accounts and take the RMD out of just one of them?"

The answer is no. You figure your 401(k) RMD separately and withdraw the appropriate amount from that account. Then you figure a single required payout from all your traditional IRAs. You can withdraw the amount from any IRA or a combination of IRAs. If you have more than one 401(k) or other employer plan, you must take a separate RMD from each one.

Rubino & Liang is a referral-based company.

Refer a prospect to us and put yourself in our drawing for a restaurant gift certificate!

Best Wishes!

Richard Rubino and Sam Liang

**Rubino & Liang, LLC**  
189 Wells Avenue  
Newton, MA 02459  
1.877.630.8787

[www.justdontlosethemoney.com](http://www.justdontlosethemoney.com)  
[www.samandrich.com](http://www.samandrich.com)

## WHAT'S HAPPENING

### RICH

Spring is in the air, which means the Red Sox are playing again! Go Sox!

This April, almost the entire Rubino family went to Italy for a wedding celebration. My cousin Frankie's daughter, Valentina, got married on April 17th in Salerno, Italy. It was a beautiful wedding and quite the trip. After celebrating in Salerno, we rented a home just outside of Rome. The eleven of us had a ball. It will certainly be a family vacation to remember. Photos will appear in the next newsletter.

Connie was not able to travel, and grandson, Wes, spent time with his grandparents in upstate New York.

### SAM

It is that time of year when I train for the Pan Mass Challenge (PMC) to raise money to fight cancer. Thanks to many of you, last year I raised \$9,500, and now I'm asking for your support again. This year, my 15-year-old son, Devin, will be riding along with me in the August race. We've seen too many examples of how cancer affects our clients and friends. Most recently, one of my dearest friends learned that his brother has terminal cancer. Soon, after, he found out that his father also has cancer. For my part, I can help raise money to fight this terrible disease. Donations in any amount are greatly appreciated and are made payable to "PMC." Checks can be mailed to our office in Newton. All donations are tax-deductible. Thanks for your support!



First signs of spring - Rich and Winnie

## INSIDE THIS ISSUE

- Taxes, Taxes and More Taxes
- Do You Need a Trust?
- A Necessary Life Insurance Review
- Your Most Valuable Asset - Time
- No Brainer Planning
- Asset Protection for the Pensioner
- What is Controlled Gifting?
- Bullet-Proof Box
- Calculating RMD for an IRA or Employer Plan

## TAXES, TAXES AND MORE TAXES

Who likes paying taxes? Please raise your hand. I don't see any hands. Ah, but many of you have your hand up without knowing! The tax I'm talking about is Estate Tax. Some of you may know it as Death Tax.

We are taxed all the time during our lives and to make matters worse, we are even taxed when we die. There has been some confusion about this tax. Many believe there is no estate tax if someone dies in 2010. That is partially true. Currently, in 2010, there is no *Federal* estate tax (it has been traded for a capital gains tax). But, if you are a resident of Massachusetts or own property in Massachusetts, there is an estate tax on all assets over \$1,000,000. All assets means ALL assets: real estate, money, IRAs, cars, boats, collectibles, bonds, etc.

Let's assume your estate is \$1,500,000 and you pass away. The first \$1,000,000 goes to heirs without tax. The next \$500,000 is taxed at approximately 15% , or \$75,000. If part of that \$500,000 was an IRA, it would be taxed another 35%.

Some simple planning techniques can be used to reduce or eliminate this tax burden to your heirs. So, add up what you have. If it is over \$1,000,000, you have two choices. 1) Pay the tax or 2) zero tax. Call and set up a meeting to discuss avoiding estate tax the painless way.

### A NECESSARY LIFE INSURANCE REVIEW

Over the past five years, there have been many upgrades in life insurance policies. This is due in part to the Pension Protection Act of 2006. The provisions of this act went into effect in 2010. One of the major changes are new life insurance policies that have living benefits. A living benefit is one you can use while you are alive.

The most innovative part of this benefit is the ability to use the death benefit as a long-term care policy. For example, say you have a \$300,000 life insurance policy and you have health problems that have caused you to lose two of the six Activities of Daily Living (ADLs). The newer policies will allow you to withdraw 2% of the death benefit per month to help pay for homecare, assisted living, or nursing home costs. 2% of \$300,000 is \$6,000 a month. Once you take the \$6,000 a month, that amount comes off the death benefit. For example, say you use ten months of the living benefit rider. This amounts to \$60,000 (\$6,000 x 10 months). The \$300,000 policy death benefit is reduced by \$60,000. The remaining \$240,000 goes to your heirs tax-free.

These types of policies can also be owned by a specially designed trust so that the proceeds will be delivered estate tax free. So, you owe it to yourself to allow us to review your current policy to see if you can upgrade at no additional cost. Another no-brainer.

## DO YOU NEED A TRUST?

We are often asked this very simple question: "Do I need a trust?"

If your answer to any of the following questions is "yes," you need a trust. The type of trust might differ, but you need a trust.

1. Your estate is greater than \$1,000,000.
2. You want to avoid probate.
3. You want to protect some assets if a nursing home is needed.
4. You want to make sure your assets go only to your children and grandchildren.
5. You are unmarried and want to make sure your assets go to a friend or partner.
6. You have a Special Needs Child.
7. You receive a pension and want to protect assets for your spouse if a nursing home is needed.
8. You have a two-family home and want to collect rents *and* protect the property if a nursing home is needed.
9. You have real estate in more than one state and want to avoid probate in two states.
10. You care about the No Blood, No Money rules.

If you have answered "yes" to ANY of the above, you need a trust.

Call us for a free consultation either by phone or in person.

### YOUR MOST VALUABLE ASSET-TIME

When you start adding up your assets to determine what you are worth, it seems easy. You list real estate, IRA, 401k, stocks, bonds, bank accounts, cars, jewelry, etc. One item that is never listed is *time*. When it comes to planning, time is one of the most important assets you have and it is often squandered.

Time-sensitive issues are: 1) Gifting assets - each year the government allows you to make tax-free gifts. After three years, those gifts are considered outside of your estate. 2) Protecting assets if a nursing home is needed - currently, there is a five year look back on any asset transferred without equal value. If you procrastinate two years, the lookback is actually seven years (five plus two years). 3) Some growth and income accounts we use are guaranteed to grow at 7.2%. For example, if you started with \$100,000 and it grows at 7.2%. After 10 years the account will be worth \$200,000 for income and inheritance purposes.

Time is a very valuable asset and should not be squandered. The longer you wait to plan, the more you squander.

## NO BRAINER PLANNING

Most of the time, many people are afraid of planning. They are not sure about what they want and think the laws might change in the future. Most plans are works in progress, but there are some "no brainer" moves you can make, such as: 1) Up-to-date Power of Attorney, 2) Up-to-date Health Care Proxy, 3) Up-to-date Living Will, 4) Up-to-date will, 5) Up-to-date beneficiary coordination and 6) Revocable No Blood, No Money trust (optional).

Although I label the Revocable Trust as optional, some might deem it a no-brainer. For example, say you have a married 32-year-old daughter with a two-year-old girl. You are concerned that if she gets divorced or has an untimely death, your son-in-law and not your granddaughter would inherit your estate. You could have a No Brainer Trust and solve this problem easily.

Please give us a call to discuss how this type of trust works.

### ASSET PROTECTION FOR THE PENSIONER

Asset protection strategies are not one-size fits all. Depending on what you have , your age, and marital status, there are different strategies available. Those who receive a pension present a special problem. So, what's the problem?

The problem is a pension can be lost if the pensioner goes into a nursing home. Most have read that nursing

*Trivia, Anyone?*

In the movie "Three Coins in a Fountain," who played the male lead actor?

- A. Cary Grant
- B. Humphrey Bogart
- C. Gregory Peck
- D. Louis Jourdan

Those who call with the correct answer are placed in a drawing for a prize of two movie passes to AMC Theatres. Take your best guess and give us a call at 1-877-630-8787

home costs can be as high as \$100,000 a year. If you are getting a pension of \$50,000 per year, and you go into a nursing home, your pension goes with you, with some exceptions. For example, John is 72 years old and receives a pension of approximately \$50,000 per year. His wife, Jane, is also 72 and she receives a smaller pension and social security of approximately \$24,000 per year. They have a residence worth about \$450,000 and a cottage in New Hampshire worth \$200,000. They have three children and six grandchildren. They live comfortably on their total income. Both pensions have survivor options so that if John predeceases Jane, she will get a portion of his pension for the rest of her life. If Jane predeceases John, he will only get her social security, and of course, he will continue to receive his own pension. They also have about \$500,000 in joint bank accounts and Jane has a small IRA. Their problem is not outliving their money. Their problem arises if one of them has to go into a nursing home. If John went into a nursing home, and the cost of care is \$100,000 per year, his pension goes with him. He has a nursing home bill of \$100,000 and his income (pension) of \$50,000. He has to pay the bill. So, he gives the \$50,000 to the nursing home and the other \$50,000 comes out of their joint savings account to pay for his care. Jane can keep all of her income (pension and social security) and \$109,000 in liquid assets. There are monthly maintenance needs allowances that might let Jane keep part of John's pension, but most of John's pension goes with him to pay for the nursing home. If John passes away after five years, they would have spent \$250,000 of their \$500,000 on John's care and Jane would probably have to spend some of her savings to live on. After John's death, Jane will then receive the survivor benefit of the pension.

For Medicaid purposes, if you have a bill and you have enough income to pay the bill, then you have to pay the bill. So, in this case, the pension is not protected. What's the solution? Because both John and Jane are currently healthy and live primarily on their pensions, they could transfer the \$400,000 of bank money into a specially designed trust, or bullet-proof box, for Jane's benefit. The trust will protect those funds, for Jane, if John had to go into a nursing home. There are a lot of moving parts to this strategy so make sure you explore it with us so we can determine if it is right for you

**DON'T FORGET TO LISTEN TO PROTECTING YOUR WEALTH**  
WRKO 680AM Sunday 9am-10am  
WBZ 1030AM Sunday 8pm - 9pm  
WBOQ 104.9FM Sunday 7:30am - 8:30am  
WCRN 830AM Saturday 11am - 12pm, Sunday 2pm - 3pm