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Dear Estate Planning Clients:

Happy New Year. I hope you and yours had a joyous holiday season.

Thank you again for entrusting me with the task of either preparing or updating your estate plan. This is a responsibility I take very seriously, as I realize that these plans are a major element of your family's security. Part of my service to you is to keep you up to date regarding developments that might affect your plan. My hope is that this letter will be relevant for your own needs and that you will take a moment to call if you have any questions. I am always happy to be of service.

**Maximize Your Value:**

You have spent much time and energy in creating your estate plan. It is crucial that you continue to receive value from it. To ensure that we preserve that value, we should periodically review the plan as well as your current situation to make sure the two remain in sync. Among the more common developments affecting your estate plan are: (1) whether your personal situation, or the personal situation of any of the individuals you have identified to play a role in your estate plan, such as executor, trustee or guardian, has changed in the time since we created your estate plan; (2) whether your financial picture has changed in the time since we originally created your estate plan (such as the purchase of additional substantial life insurance or the purchase of a new home or additional real estate); and (3) whether the law has changed in ways that impact the assumptions we made when we first created your estate plan. If there has been any change, please contact me so that we can discuss whether we should make any adjustments to your estate plan to accommodate those changes.

**Proper Titling of Assets:**

If we created a revocable living trust and you have re-financed your home since we created that trust, we should make certain that your home (and any other real estate) is still properly titled in your trust. Often times when you re-finance, lenders require you to title the property out of your trust in order to

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conduct the re-financing. In some cases, those lenders (or the escrow company) will title the property back into the trust following the funding of the loan, but sometimes that does not happen. Consequently, title to your home could be outside of your trust, potentially jeopardizing our work. Therefore, if you have a trust, have re-financed in the time since we created the trust, and you do not know for certain whether your title to your home was affected by the re-financing, please contact me so that we can make sure title is properly listed and if it is not, then we can make the changes necessary to correct title.

The same is true if you purchased new real estate – we should discuss how the new real estate was titled at the time you bought it. If title is not listed in your Trust, then we can make the changes necessary to correct title.

In addition, if you have opened additional accounts or acquired additional assets in the time since we created your estate plan, please take the time to understand how title is held to those accounts and how the beneficiary(ies) are designated (if applicable) to those accounts. Your estate plan will work most efficiently if everything is properly titled and beneficiaries are properly designated to ensure all assets are distributed in accordance with the same plan.

### **Estate Tax and Gift Tax Changes:**

The estate tax (or death tax) is a tax on the value of all assets and property left by a deceased person. Technically, the estate tax is imposed on all estates, but each taxpayer has a huge tax credit that corresponds to the tax on an estate of a value less than or equal to an "exemption" amount. In accordance with the tax changes enacted in 2001, the exemption amount has increased to \$3,500,000 for 2009. Under the current tax law, the estate tax will be eliminated in 2010, but only for that year. Under the current law, in 2011, the estate tax reverts back to what it was in 2001, with \$1,000,000 exemption per person. The estate tax rate is very steep, ranging from 45% to 55% depending upon the year imposed.

In addition to the estate tax, the federal tax law also sets forth provisions applicable to gift tax, or the tax that must be paid by the person making a gift, if the gift exceeds a certain threshold. This year that gift tax threshold increases from \$12,000 to \$13,000 per recipient per year. What that means is simple: Anyone can give up to \$13,000 in gifts to any one person in any annual period without tax implications. Gifts to spouses and payments directly to hospitals or educational institutions are excluded from the gift tax.

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As some of you may realize, with a new President and a Democratic-controlled Congress, changes to the tax code in general and to the estate tax structure in specific are under consideration. While we do not know exactly what will happen, one thing is certain, the laws controlling taxes will change at some time, likely before 2010. There is no need to any action at this time, and you can count on me to keep you informed as developments warrant. As always, if a change in law affects your particular plan I will contact you immediately. Please call if you have questions.

### **Homeowners Insurance and Your Revocable Living Trust:**

If your estate plan includes a revocable living trust and you have re-titled your home into your trust, I recommend that you inform your insurance agent of this fact. Some insurers require that you inform them that you have a trust and that your home is titled into the trust in order to insure the home. You have purchased and continue to pay premiums for your property and liability (a.k.a. "homeowner's") policy. However, some insurers will not recognize your trust as being "insured" under the policy unless it is listed as an additional named insured under the policy. Check with your insurance agent if your insurer requires your trust to be listed as an additional named insured.

### **Your Investments and Your Estate Plan:**

With the ups and downs we all experienced in the financial markets and real estate over the past year, some of you may be wondering whether any changes should be made to your estate plan. In general, changes in the value of assets should not affect the estate plan that we created, unless that change in value is a significant increase. Otherwise, as long as your assets are properly titled and the beneficiaries on your accounts have been designated properly, there is nothing that should need to be done as a consequence of the change in an asset's value.

### **Referring Clients to Me:**

The first quarter of the calendar year is my busiest time because many people are evaluating what they need to accomplish and want to complete during the next year. New Year's Resolutions are often the trigger for the preparation of an estate plan, will or trust. I hope you keep me in mind if the subject of Wills or Trusts comes up. Typically, my clients fall into one or more of the following categories:

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- People with young children who want to nominate guardians and establish trusts to fund the children's education and provide for their children's future.
- People who own assets (including real estate, businesses, investments, life insurance and more) and want to control how those assets are managed and distributed in the event of either incapacity or death.
- People who want to minimize the loss of their net worth due to the impact of the Probate Court process in the event of their death or incapacity.
- People who want to minimize the impact of federal estate taxes on the value of the assets they wish to pass on to others at their death.
- People with existing estate plans who want to ensure that everything is still in order and up-to-date.

In addition, I ask you to please remember that (1) I offer a free, no obligation initial consultation appointment; (2) I can make house-calls, including evening and weekend appointments if necessary; (3) I quote my clients an all-inclusive flat-fee before beginning any work so the clients will know exactly what it will cost; and (4) I maintain at least annual contact with each of my clients to ensure that they continue to receive maximum value from their estate plan.

As always, thank you for your support and for the referrals that you have given me in the past and into the future.

Very truly yours,

Richard L. Collari Jr.