

your estate matters

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Celebrity Estate Tax Planning Mistakes Everyone Can Learn From

Spoiler Alert: Failing to Plan Is Planning to Fail

Agents, managers, lawyers, financial planners... many celebrities benefit from the advice and guidance of experienced professionals in a variety of fields. But that doesn't stop some from making simple—yet all too common—mistakes, especially where their estate plans are concerned.

The musical artist Prince left behind an estate estimated to be worth \$300 million. He neglected to leave behind a will or trust. This means a court will decide how to divide his estate among his six siblings, and determine whether other potential heirs have valid claims to his estate. Prince is not alone: estimates show that between 50-60% of adults also do not have a will or trust in place.

Comedian Jerry Lewis did leave a will that specified how his \$50 million estate would be settled, but that also created an issue for his heirs. A will is a public document anyone can view, as a result dozens of media outlets reported that Lewis had intentionally disinherited all six children from his first marriage. If Lewis had set up a trust he could have spared his children the public embarrassment.

Actor James Gandolfini also had a will, but his failure to put effective tax planning strategies in place meant federal and state estate taxes reduced his assets significantly, leaving his family with around half of his \$70 million estate.

Actor Heath Ledger also had a will, but failed to update it after the birth of his daughter. When he died his estate was divided between his parents and three sisters.

Failing to update a will or estate plan after a major life event (just like failing to update life insurance and retirement plan beneficiary designations) is a common estate planning oversight. Call our office if you've had changes that need to be reflected in your estate plan and avoid these common mistakes.

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The Benefits of Lifelong Learning

Why Old Dogs Keep Learning New Tricks—At School

We've all heard the phrase "use it or lose it" in reference to fitness, but research shows the same principle also applies to your brain. One study shows that reading Shakespeare stimulates brain activity. Other studies show that doing crossword puzzles, jigsaw puzzles, and working on math and other types of problems not only improve brain and memory function, but also can reduce the chances of developing Alzheimer's Disease.

We can include another form of mental stimulation to the mix: going back to school. Research shows that "enriched learning environments can help reduce cognitive decline due to aging, as well as help older adults deal with depression and poor self-image." Interestingly, the benefits extend beyond learning: Attending regular classes resulted in greater overall activity levels, an increase in social and productive activities, improved emotional balance, and general health awareness. How's that for a win-win?

So how can you, or someone you love, take advantage of the myriad benefits of lifelong learning? Taking a class at a local community college is a great way to learn new things and benefit from social interactions with other students.

If attending classes is not feasible, consider free online courses from respected outlets like Coursera (www.coursera.org), MIT Open Courseware (www.ocw.mit.edu), and Khan Academy (www.khanacademy.org), among others. You can search "free online classes" for dozens of other possibilities.

Of course, lifelong learning opportunities are not limited to taking "college" classes. Community centers, vocational

schools, and other local organizations offer a wide range of classes in art, woodworking, music, health, fitness, first aid, technology, and more.

While lifelong learning improves cognitive functioning, it can also help older adults feel more fulfilled, vital, and connected to the world around them.

That's a feeling we all appreciate, regardless of age.



Want to Improve Your Memory?

Try These Simple Tips

We all want to learn faster, retain more information, and improve our memories. Here are some evidence-based ways of doing this:

- ➔ **Adequate Sleep.** Sleep is when the bulk of the memory consolidation process occurs. Even a short nap can improve recall significantly.
- ➔ **Regular Exercise.** Fitness in older adults has been proven to slow memory loss. Cardiovascular exercise can even spark the growth of new brain cells.

- ➔ **Pause and Reflect.** After you learn something new, take a moment to jot down a few notes. Then think about what you learned, especially how it applies to your life. That way new knowledge gets embedded in existing knowledge, making it much harder to forget.
- ➔ **Food for Thought.** Your brain is a muscle and the nutrients you feed it can reduce inflammation, help repair brain cells, and even assist in building new ones. Look for foods rich in Omega-3 fatty acids, antioxidants, and vitamin E.

The Grey Divorce Epidemic

Don't Let It Infect Your Estate Plan

Since 1990, the divorce rate among couples aged 50 and older has more than doubled. With so-called “grey divorce” on the rise, more and more people find themselves facing difficult financial, legal, and estate planning issues.

One example is remarriage. If you and your new spouse have commingled income and assets, those funds may be at risk, especially if your finances are entangled with your former spouse. That’s why many remarried couples set up joint accounts to pay for expenses like mortgages, utilities, and groceries, and use individual accounts to pay other bills. Plus, creditors are not always bound by divorce settlements, which by default means you could be responsible for some or all of an old debt.

On the other hand, if your former spouse gets remarried, assets can become commingled and your children may no longer be in line to inherit those assets upon the death of your ex-spouse. If you predecease your new spouse and you own assets jointly, you may unintentionally disinherit your children from a prior marriage because your new spouse will have final say over who inherits what were your jointly-owned assets. Setting up a trust can help protect your assets for your children.

Keep in mind that in a second marriage, inherent tension may exist between the new spouse and remainder beneficiaries. The new spouse naturally wants to use and benefit from the funds in the trust, while remainder beneficiaries naturally want the total value of the trust to be as high as possible.

One way to deal with that situation is to create a Total Return Unitrust that pays a set percentage of the trust to the surviving spouse each year. Then the surviving spouse has a vested interest in maximizing the total value of the trust, which means their goals are aligned with those of remainder beneficiaries. The key is to set the percentage at a level that balances the income needs of the surviving spouse with the goal of maximizing the total value of the trust.

Divorce and remarriage require planning for a number of new potential issues such as incapacity, remarriage protection, blended families, protecting assets, and ensuring your wishes are carried out.

Issues brought about by divorce at any age often result in the need for a thorough review of your current estate plan. Call our office to ensure your estate plan takes into account your current situation—and your intentions for the future.



Can You Guess this Legacy?

As a stage, television, and film actress she built an extensive list of credits over her 65-year career.

Yet to animal rights activists she is better known as a tireless advocate for the humane treatment of animals. She supported *Puppies Behind Bars*, an organization that works with inmates to train service dogs for the physically disabled and elderly, as well as for explosives detection. In addition, she was the chairwoman of the *Children with AIDS Foundation* and testified about the prevalence of age discrimination before a congressional committee.

While she won five Emmy awards, one Screen Actors Guild Award, and was known by millions as Raymond’s mother, Marie, on the long-running hit TV show “Everybody Loves Raymond,” Doris Roberts helped make life better for countless people and animals alike.

What will your legacy be?

Doris Roberts at the Night of Comedy 9 benefit to support the Children Affected by AIDS Foundation (CAAF) in Beverly Hills, CA



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Funding Your Trust Is Important So Is Adding New Assets to the Trust

Setting up a trust may seem like a big step, however it's only the first step towards effectively utilizing this powerful estate planning tool. In short, a trust isn't particularly helpful if you don't fund it. (Just ask Michael Jackson's heirs. He created a trust but failed to fund it.)

Funding a trust means transferring certain assets to the trust by changing the ownership of those assets to the name of the trust. (This may include beneficiary designations as well.) Then the trustee of the trust controls those assets; in many cases you can name yourself as the trustee. Funding the trust allows the assets in the trust to avoid the delays and lack of confidentiality inherent in the probate process on certain assets.

If you create a trust and fail to transfer ownership of assets to that trust, neither you nor your heirs reap the benefits.

The same holds true for new assets you acquire. While a Pour-Over Will can transfer ownership of new assets to your trust upon your death, those assets would still be subject to probate. A better approach is to take title of a new asset under the trust's name and not your own. That way your estate plan remains up-to-date—and those new assets are afforded the same protection and estate planning benefits a trust affords.

Don't forget that the best kind of trust is a funded trust.

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Brandon McGee has been providing quality estate planning for clients since 2002. Whether you need Estate Planning, Business Planning, Asset Protection, Trust Administration, Probate, Medicaid Planning, Special Needs Planning, or Powers of Attorney (incapacity documents), Brandon is here to help. If you or your loved ones would like a complimentary personal consultation to review your estate plan, visit our website at www.mcgeelawdfw.com, or call us at 817-899-3286 to schedule a free one-hour consultation about your estate plan.



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