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William T. (Tom) Edwards, Jr.

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A New Tax and Retirement Opportunity

To Convert or Not to Convert?

One thing is certain: We all pay taxes. But *when* we pay certain taxes is a choice we can each make, especially when the rules change. Making the right decision about converting a traditional IRA to a Roth IRA could save your estate thousands of dollars in income and estate taxes.

Until this year, taxpayers could only convert funds to a Roth IRA if their adjusted gross income was under $100,000. Starting in 2010 conversion is open to anyone regardless of annual income.

Why could converting to a Roth IRA be beneficial? A traditional IRA allows tax deductions for contributions and grows tax-deferred. A Roth IRA does not provide up-front deductions, but earnings and withdrawals are tax-free. And unlike a traditional IRA which requires minimum distributions starting at age 70 ½, a Roth IRA does not require minimum distributions during your lifetime. A Roth IRA could provide a number of advantages depending on your age, the growth rate of your funds, and your total retirement needs.

Say you have a $1 million IRA balance and $300,000 in other funds. If you convert to a Roth you could use the $300,000 to pay taxes. Then the $1 million Roth IRA and all future earnings on it will not be taxed at withdrawal. Further, as the law stands, in 2011 anything over $1 million in your estate would be taxed at a rate of at least 41% at your death. In this case, converting could save estate taxes of $124,000.

Should you make the switch? If you convert, you can undo the conversion, or "recharacterize," until October 15, 2011, the extended due date for 2010 tax returns. If a stock increases dramatically in value you may choose to stay in the Roth IRA since withdrawals are tax-free; if the stock falls, you could un-do the conversion.

Converting to a Roth IRA could reduce the value of your estate for tax purposes, let you take distributions tax-free, and avoid minimum distribution requirements. ■

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Finding the Right Nursing Home

Careful Research When it Matters Most

One of the toughest and most overwhelming decisions a family member can make is to place a loved one into a nursing home. In many cases, a nursing home could be the best option for a person who needs 24-hour care.

Getting an early start before your loved one needs to be in a nursing home can help you find the best possible home and care for your relative. It takes time to complete applications, determine how to pay for care and get on a waiting list—but most importantly to find the right facility.

While there is no substitute for in-person inspections, objective third-party guidance is also available. Once you determine the geographic location, visit Medicare Nursing Home Compare at **www.medicare.gov/NHCompare**. Medicare evaluates nursing home quality using a combination of health inspection results, staff data, overall quality measurements, and fire safety. State inspectors evaluate the care of residents, how staff and residents interact, and clinical records. The inspectors also interview some of the residents and their family members about their life in the nursing home. (Keep in mind some assisted living facilities may not be listed since those facilities are required to meet different standards.)

Then narrow down your list of possibilities and start making visits. Some experts recommend visiting four to six times, without scheduling a tour, and at different times and days of the week, before making a decision to see if there is a difference in atmosphere or care being provided. Look for a low patient-to-staff ratio, especially at night. Ideally there should be one staff member for each six to eight residents. Ask about the staff: Look for a facility with a high ratio of Registered Nurses (RNs) to nursing assistants. Pay special attention to safety precautions. And check for programs like exercise, activities, outings, and programs tailored to residents' needs. Then ask to speak to family members of current residents.

Using the many tools at your disposal and after careful research, you can find the right nursing home for your loved one. ■

Protecting Electronic Assets

Intangible Assets are Valuable Too

For most of us the Internet has become a digital archive of our lives, storing online bank accounts, email addresses, domain names, Facebook accounts, blogs, photos, etc. As a result, our lives are more convenient than ever. But when we pass away, transferring that archive to family members could be difficult or even impossible, since many electronic assets are considered private property. You could distribute those assets through your Will or Trust, but there are easier ways.

One option is to keep all account information and passwords on a separate flash drive for a family member to access. Or you can set up an account with a company like Legacy Locker (**www.legacylocker.com**), a company that stores vital digital property. These services allow you to enter and store account information securely. Then, through a verification process at the time of your death or disability, it can be accessed and distributed to only those individuals you have pre-selected.

Take steps now to make sure money that might sit unnoticed in an account or precious photos you have stored online won't be lost forever. ■

Family Bonds

Taking Over the Finances of an Elderly Loved One

Initiating a difficult conversation is much easier to do in happy times. So is making a plan to take over the finances of an elderly loved one. As parents live longer, more and more children find it necessary to step in and help pay bills, make investment decisions, and even apply for benefits or arrange for long-term care. Starting early lets you discuss various options and ensure you know your loved one's intentions and desires.

The key is not only to make financial plans but to understand your loved one's wishes fully in terms of lifestyle, independence, and even critical care. The more you know and set up ahead of time, the less conflict and distress you both will face and the less likely you'll need to initiate proceedings like guardianships or incompetency declarations.

Where should you begin? Contact an estate planning attorney to help you protect assets by creating an estate plan that includes a durable Property Power of Attorney; the designee is granted the legal authority to act on your loved one's behalf and can avoid the need for guardianship proceedings. Set up a HIPAA (Health Insurance Portability and Accountability Act) Authorization Form and a Health Care Power of Attorney. The HIPAA Authorization Form gives the designee access to important medical information, while a Health Care Power of Attorney allows the designee to make critical medical decisions on their behalf. Also, take the time to understand where and how your loved one would like to live if their health fails. Remember, preparing for the future involves more than simply taking care of finances.

Once you have the basics in place, try to automate as many transactions as possible. Set up direct deposits and automated payments for housing, utility, and other standard expenses. Locate important items like insurance policies, benefit plans, retirement plans, and bank accounts, and keep them in one place. Look for supplemental benefit plans from previous employers and long-term care insurance your loved one may have forgotten. Also, research federal and state benefits: Check out **www.benefitscheckup.org** and **www.eldercare.gov** for discounts on taxes, utility bills, and health care and social service providers in your area.

In short, initiate these conversations now and help your loved one set up a plan where their life today can be smoother and more worry-free. Then, as time passes, you will be prepared, if necessary, to take more control… secure in the knowledge that you and your loved one are prepared for almost any eventuality.

What's in a Legacy?

Some people's legacy starts with their families. His wife left over $2.5 billion to charity when she passed away in 2004. Known for building one of the world's largest fortunes, he famously said, *"I want to give my kids just enough so that they would feel that they could do anything, but not so much that they would feel like doing nothing."* Instead this incredibly successful investor plans to give over 80% of his assets to charity, and has already begun the process by contributing 5% of the total each year.

He is also outspoken in favor of the inheritance tax, saying repealing the estate tax would be like *"…choosing the 2020 Olympic team by picking the eldest sons of the gold medal winners in the 2000 Olympics."*

Known for his philosophy of value investing and frugal lifestyle, Warren Buffett, the "Oracle of Omaha," continues to build his legacy through family and philanthropic efforts.

What will your legacy be?

Protection From Identity Theft…

… After Death

Identity thieves can do a lot more damage than simply committing financial fraud. Identity thieves scour obituary listings and gather personal information from genealogy websites. Many identity thieves focus almost exclusively on stealing the identities of those who are deceased since the likelihood of detection is lower. They can run up charges on existing accounts, open new lines of credit, steal funds from investment accounts, set up utilities accounts, get access to health care and prescription medicines, and even apply for government benefits under the deceased's name.

What steps can you take to protect a deceased loved one's personal information and assets?

- Immediately notify banks and creditors of the death by providing copies of the death certificate for verification.
- Close individual accounts. The surviving spouse may be asked to close any joint accounts, which also helps reduce the chances of identity theft.
- Contact the three main credit bureaus (TransUnion—**www.transunion.com,** Equifax—**www.equifax.com,** and Experian—**www.experian.com**) and ask that credit reports be flagged as "Deceased: Do Not Issue Credit." Also request a copy of each credit report so you can be sure you did not overlook any accounts.
- Notify the Social Security Administration directly. While funeral homes do report deaths to the Social Security Administration, don't assume they will do so in a timely fashion.
- Notify the Department of Motor Vehicles.

If you suspect fraud, file a police report and contact the company in question. Provide a copy of the death certificate to make the process go more smoothly.

For more information on preventing identity theft—whether alive or deceased—visit **www.idtheftcenter.org.** ■

Clean Up Online!

De-Clutter and Make Money

Your "trash" could be someone else's treasure. Instead of holding a yard sale, consider selling unwanted items on an online auction site like **www.eBay.com** or **www.Craigslist.com.** Start by de-cluttering your house: Go through closets, basement, and attic and look for items you no longer use, that no longer fit… even for gifts you never opened. Think of it this way: If an item is "too good" to throw away it's a great candidate for eBay.

Next, decide where to sell your unwanted treasures. In general terms, eBay is a great choice for unusual or collectible items, since a worldwide audience can view what you have for sale. On the other hand, you will be required to ship those items to the winning bidder, which can be inconvenient. Craigslist lets you sell items to a more local audience. Craigslist has over 50 million users in the U.S. alone, and receives over 50 million new classified ads each month. If you sell to a local buyer, you can arrange for pickup and avoid the hassle of packaging and shipping your items.

Then, create a listing. Include photos and write thorough descriptions. Check out similar items and note prices. Make sure your prices are competitive but also allow room for negotiation. Only accept cash or PayPal transactions; don't accept personal checks. And make sure the funds are in your account before you ship. For safety reasons, if the buyer will visit your home to pick up their items, take care of the transaction outside of the house and make sure another adult is with you. By clearing out unwanted items, you can clean up at the bank! ■

Winning Recipe

Red, White and Blue Cake Roll

Ingredients:

- 1 c. strawberries, sliced
- 1 c. blueberries
- 4 eggs, separated
- ⅔ c. no calorie sweetener, granulated
- 1 tbsp vegetable oil
- 1 tsp vanilla extract
- ¼ c. corn syrup
- ⅔ c. cake flour
- ¾ tsp baking powder
- ¼ tsp salt
- 1 package whipped topping
- 2 tbsp powdered sugar

Directions (yield = 10 servings):

1. Preheat oven to 375° F
2. Grease bottom and sides of a 15x10x1 inch jellyroll pan; line pan with waxed paper; grease and flour waxed paper. Set aside
3. Beat egg yolks until thick; gradually add ⅓ cup sweetener, beating constantly, stir in oil and vanilla extract
4. Whip egg whites until foamy, gradually add remaining sweetener and corn syrup, beating until stiff
5. Fold egg whites into egg yolk mixture
6. Combine flour, baking powder, and salt, gradually fold into egg mixture
7. Add batter into prepared pan
8. Bake for 10 minutes
9. Sprinkle powdered sugar on a towel, turn cake out onto sugared towel
10. Starting at narrow end, roll cake and towel together tightly; cool 30 minutes
11. Unroll cake and remove towel, spread with whipped topping
12. Add strawberries and blueberries over topping and carefully re-roll
13. Let cool 2 hours before serving

Nutritional information (per serving):

Calories: 200
Fat: 9g Protein: 4g
Carbohydrate: 25g Fiber: 1g

Have a great recipe to share with everyone? Have it featured in our next newsletter by mailing it to **our office** ■

Internet Use Can Mean Healthier Seniors

Some experts think internet use causes enhanced neural stimulation which could lead to better reasoning and decision-making. While email, chat rooms, and other electronic communication tools may seem somewhat impersonal and detrimental to social interaction, in fact the opposite is true. A study by the Phoenix Center found spending time online can reduce a senior's chance of depression by 20%. The more time seniors spend online the more they interact socially, directly impacting overall health and happiness.

Another study by the University of California, Los Angeles shows going online can stimulate areas of the brain and enhance cognitive abilities. The study also reveals that Alzheimer's disease tends to be less prevalent and less impactful among people who stay mentally active and alert.

For many seniors the Internet is a social and health opportunity lost; research currently shows only 40% of seniors use the Internet, far below the average for non-seniors. So give the gift of the Internet: Many computers come with options like a larger keyboard, easier to use mouse, larger monitors, and speech-recognition software. Help a friend or relative set up email and social media accounts and show them how to perform basic searches.

Depression affects millions of people over the age of 55. While you may not be able to help everyone, you can help loved ones improve their social interactions—and their health and happiness. And while you're at it, make it easier for them to stay in touch with you! ■

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You Served Your Country:

Do You Know What Your Benefits Are?

People who serve their country are by nature selfless. As a result, some may feel applying for military benefits is a form of welfare.

Nothing could be further from the truth: Military benefits are tangible recognition and reward for service to our country. The Veterans Administration (VA) offers a variety of programs and benefits to veterans and their families including health care, life insurance, home loans, and vocational training. And you may qualify for Disability Compensation and a Non-Service Pension, two programs that provide financial support to veterans and their families who are in need.

Unfortunately, the application and qualification process can be difficult: The VA estimates millions of veterans and their spouses do not even realize they are eligible.

The key to receiving the benefits you earned lies in planning. For example, you may not qualify for a pension if you have too much cash. An effective strategy is to pay down a mortgage, make a gift, or even purchase a new car using that cash. By purchasing exempt assets you could then qualify for pension benefits. It is important for any planning to take into account the effect on Medicaid benefits as well. For example, there could be a Medicaid look-back penalty if you transfer assets incorrectly. (If you are not applying for Medicaid, the "transfer" issue is not a factor where the VA is concerned.)

That is why determining the benefits you should receive, and applying for those benefits, requires the help of an attorney who concentrates their practice on elder law and estate planning. Contact our office for help in planning for your future—and receiving the benefits you earned through faithful service to our country. ■

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William T. (Tom) Edwards, Jr.

Your Estate Matters comes to you compliments of The Edwards Law Firm, A Professional Association. Attorney William T. (Tom) Edwards, Jr., the firm's founder, emphasizes his legal practice to estate planning, wills and trusts, advanced estate planning, planned giving, asset protection, probate, guardianship and related matters, and is a member of the American Academy of Estate Planning Attorneys. This is a national organization committed to providing consumers with information they need to make wise estate planning choices. For a free copy of the publication *Fourteen Most Common Reasons to Do Estate Planning,* or a current schedule of free estate planning seminars in your area, contact The Edwards Law Firm at **(904) 215-3550** or visit our website **www.edwardslawfirm.com.** ■