

# SMART PLANNER

Useful Tips for a Better Tomorrow

Summer 2019

## LOVE YOUR PETS? Get Them an Estate Plan



Have you ever considered what happens to your pets if they outlive you?

The Humane Society estimates that between 100,000 and 500,000 pets end up in shelters every year after their owners die or become incapacitated.

Our pets provide us a lifetime of companionship, and Connecticut law provides us as pet owners with an estate planning tool to plan for our pets' care at our death or incapacity.

Since 2009, Connecticut has allowed pet owners to establish trusts for the sole purpose of caring

for their pets. In layman's terms, we call them pet trusts. And a pet trust can be incorporated into your Will, or it can be part of a revocable living trust.

### In order to create a valid Connecticut pet trust, you need:

- **A trust protector:** Someone designated to oversee the trustee and to act on behalf of the animals;
- **A trustee:** Someone to care for your pets or who has the authority to appoint a caretaker;
- **An identification of which pets are beneficiaries** of the pet trust; and
- **A source of funding to pay for care** of your pets. For example, a lump sum payment from your estate, or designating your pet trust the beneficiary of a modest life insurance policy.

### But why a pet trust?

Pet Trusts are legally enforceable, and are subject to the probate court's jurisdiction. This means that you can have peace of mind that your pets are being properly cared after you die. Or after you become incapable of caring for them.

The trustee you choose will be required to carry out your wishes, which can include regular veterinary visits, nutritional specifications and your desire for the trustee to maintain your pet's current standard of living.

Upon your death or incapacity, your pet trust's trustee must file an annual accounting with the probate court to show how he or she is spending the funds in the trust. The trust protector can also remove and replace a trustee who is not following your wishes.

### What if there's money left over?

You can designate who shall receive any remaining balance of your pet trust upon the death of the last pet beneficiary. You can select a loved one, a shelter or charity in memory of your pets. The choice is yours.

Your pets add an immeasurable joy to your life – take the steps to decide their fate. And take comfort in knowing that a pet trust (which we can create for you) will ensure that they will be protected and cared for in the years to come. ■

## UNHAPPY WITH YOUR TAX REFUND OR TAX BILL?



If you were unhappy with the size of your 2018 tax refund – or tax bill – try Kiplinger's "Easy-to-Use Tax Withholding Calculator." The online tool at [Kiplinger.com/links/withholding](http://Kiplinger.com/links/withholding) will help you adjust the number of allowances you claim on your Form W-4 for 2019. Increase the number of allowances to take home larger paychecks this year, or reduce allowances to withhold more tax from your paychecks.

*"Happiness is letting go of what you think your life is supposed to look like and celebrating it for everything that it is."*

– Mandy Hale



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It's Time. Plan Today for Your Tomorrow.

# 8 TIPS FOR THE DREADED CONVERSATION: How to Stop Your Parent From Driving

More than 7,400 older adults were killed and more than 290,000 were injured in motor vehicle crashes in 2016.

**This amounts to 20 older adults killed and 794 injured in crashes on average every day.**

These harrowing statistics were published by The Centers for Disease Control.

Dreading the conversation? Not having it can have deadly consequences.

It's one of the hardest conversations we have with aging parents who may be in denial about their poor eyesight, slower reflexes or diminished capacity.

But when Mom gets lost again on the way to the supermarket, or Dad makes up another story about the new dent in the car, someone has to make the call.

And that someone might be you.

Here are some tips for how to handle this difficult but necessary conversation, based on "We Need to Talk," a publication from The Hartford and MIT Age Lab:

- The best choice for who should have the conversation is the spouse, for married couples.
- Older adults who are single prefer to have this conversation with their doctors, adult children, a sibling, or a close friend.



- Keep calm – your loved one may have strong feelings – and you might, too.
- Don't postpone the conversation.
- Be prepared to have several conversations.
- Have the conversation before driving becomes a problem, to establish a pattern of open dialogue.
- Use near misses as opportunities to have a conversation:

*"That was a close call yesterday. I worry about your safety on the road."*

*"I'm worried about your getting lost."*

*"Have you asked your doctor about how your new medication affects your driving?"*

- Research and discuss transportation alternatives including having family members increase the frequency of visits and outings.

The good news is that more than half of older adults surveyed said that when someone talked to them about their driving skills, they listened and followed suggestions. So your chances are better than 50-50 at having a good outcome to the conversation.

Don't wait until it's too late. You owe it to yourself and your loved ones to help them safely and successfully navigate this transition. ■

## Tired of Unwanted Phone Calls?



Unwanted calls. We all get them. On our land lines and on our cell phones. Want to stop this annoyance? Here are some ideas:

- 1 In a perfect world, signing up for the National Do Not Call Registry would stop telemarketers from calling you. It's illegal for telemarketers to call you if you are on this list, but the world isn't perfect. Scammers don't follow the rules. It's still smart to register your number as an added layer of protection against unwanted calls. Just call (888) 382-1222 or go to the website [donotcall.gov](http://donotcall.gov) and enter the landline or cell phone number you want on the list.
- 2 Cell phones have all kinds of apps to assist with blocking unwanted calls. Try TrueCaller or Hiya.
- 3 Buy an answering machine and simply let calls go to message — scammers and solicitors rarely leave messages. And if you have Caller ID on your phone, you can identify the number that is calling. But beware, some scam artists have the ability to impersonate a number you are familiar with in order for you to pick up. ■

# 8 Summer Steps for Healthy Living

In the warmer, longer, lazier days of summer, the living may not be easy, but your life probably feels less chaotic. Even adults tend to adopt a “school’s out!” attitude in summer. That’s why this is a perfect time to improve your health in a fashion so seasonally laid back you’ll barely notice the effort.

To get you started, WebMD went to 8 health experts in fields such as diet, fitness, stress, vision, and oral health. We asked them this: If you could only suggest one simple change this season to boost personal health, what would it be? Here are their top 8 tips.



## 1 Give Your Diet a Berry Boost

If you do one thing this summer to improve your diet, have a cup of mixed fresh berries — blackberries, blueberries, or strawberries — every day. They’ll help you load up on antioxidants, which may help prevent damage to tissues and reduce the risks of age-related illnesses.

## 2 Get Dirty — and Stress Less

To improve your stress level, plant a small garden, cultivate a flower box, or if space is really limited, plant a few flower pots — indoors or out. Just putting your hands in soil is “grounding.” And when life feels like you’re moving so fast your feet are barely touching the stuff, being mentally grounded can help relieve physical and mental stress.

## 3 Floss Daily

You know you need to, now it’s time to start: floss every single day. Do it at the beach (in a secluded spot), while reading on your patio, or when watching TV — and the task will breeze by. Flossing reduces oral bacteria, which improves overall body health, and if oral bacteria is low, your body has more resources to fight bacteria elsewhere.

## 4 Get Outside to Exercise

Pick one outdoor activity — going on a hike, taking a nature walk, cycling, or swimming — to shed that cooped-up feeling of gym workouts. And remember, friends and family that play together not only gets fit together — it’s also a great way to create bonding time.

## 5 Be Good to Your Eyes

To protect your vision at work and at play, wear protective eyewear. When outdoors, wear sunglasses that block at least 99% of ultraviolet A and B rays. Sunglasses can help prevent cataracts, as well as wrinkles around the eyes.

## 6 Vacation Time!

Improve your heart health: take advantage of summer’s slower schedule by using your vacation time to unwind. Vacations have multiple benefits: They can help lower your blood pressure, heart rate, and stress hormones such as cortisol, which contributes to a widening waist and an increased risk of heart disease.

## 7 Alcohol: Go Lite

Summer’s a great time to skip drinks with hard alcohol and choose a light, chilled alcoholic beverage (unless you are pregnant or should not drink for health or other reasons). A sangria (table wine diluted with juice), a cold beer, or a wine spritzer are all refreshing but light. In moderation — defined as one to two drinks daily — alcohol can protect against heart disease.

## 8 Sleep Well

Resist the urge to stay up later during long summer days. Instead pay attention to good sleep hygiene by keeping the same bedtime and wake-up schedule and not drinking alcohol within three hours of bedtime. ■

*(Excerpt by Kathleen Doheny, WEBMD)*

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Our blog is another place you can get helpful information . . .

Check it out at [ctseniorlaw.com/blog](https://www.ctseniorlaw.com/blog)

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- Aug. 13.....[Estate Planning Basics](#) – Sherman Senior Center
- Aug. 14.....[Estate Planning Basics](#) – Burlington Library
- Aug. 15.....[What the Heck is a Trust?](#) – Hoffman SummerWood, W. Hartford
- Aug. 22.....[Estate Planning Basics](#) – Hoffman SummerWood, W. Hartford
- Aug. 29.....[Planning for Long-Term Care](#) – Hoffman SummerWood, W. Hartford
- Aug. 29.....[Planning for Long-Term Care](#) – River Ridge at Avon
- Sept. 10 .....[Estate Planning Basics](#) – Wethersfield Senior Center
- Sept. 10 .....[What the Heck is a Trust?](#) – Elmwood Hall Senior Center, Danbury
- Sept. 18 .....[Planning for Long-Term Care](#) – Bethel Library
- Oct. 2 .....[Planning for Children with Special Needs](#)  
Walnut Community Church, Bethel
- Oct. 4 .....[Planning for Long-Term Care](#) – Newtown Senior Center



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# SMART PLANNER

*Special Insert For Legal, Financial and Healthcare Professionals*

## All are Affected by 2019 Tax Changes

On January 1st of this year, many tax changes were introduced and implemented – and all tax payers are affected. Here are just some of the changes...with more changes sure to come.

### STANDARD DEDUCTION

The 2019 standard deductions went up a bit.

- Married couples get \$24,400 plus \$1,300 for each spouse age 65 and older.
- Singles claim \$12,200...\$13,850 if 65 or up.
- Household heads get \$18,350 plus \$1,650 once they reach 65.
- Blind people receive \$1,300 more (\$1,650 if unmarried and not a surviving spouse.)

### CAPITAL GAINS

Tax rates on long-term capital gains and qualified dividends did not change. But the income thresholds to qualify for the various tax rates went up for 2019.

- 0% rate: for individual taxpayers with taxable incomes up to \$39,375 on single returns, \$78,750 for joint returns and \$52,750 for head-of-household filers.
- 20% rate: starts at \$434,550 for singles, \$461,700 for heads of household and \$488,850 for couples filing jointly.
- 15% rate: for filers with taxable incomes between 0% and 20% break points.
- 3.8% surtax on net investment income kicks in for single people with modified AGI over \$200,000...\$250,000 for marrieds.

**MINIMUM TAX AMT** exemptions climbed for 2019. They increased to \$111,700 for couples and \$71,700 for both singles and heads of household. The phase-out zones for the exemptions start at higher income levels as well...above \$1,020,600 for couples and \$510,300 for single filers and household heads. Also, the 28% AMT tax rate kicks in a bit later in 2019...above \$194,800 of alternate minimum taxable income.

**ALIMONY** Alimony paid under the post-2018 divorce agreements is not deductible, and ex-spouses aren't taxed on alimony they get under post-2018 agreements. Older divorce pacts can be modified to follow the new tax rules if both parties concur and they modify the agreement in 2019 or later to specifically adopt the tax changes.

**ESTATES & TRUSTS** The lifetime estate and gift tax exemption for 2019 rose to \$11,400,000...\$22,800,000 for couples if portability is elected by timely filing Form 706 after the death of the first-to-die spouse. The estate tax rate remains steady at 40%.

You can give up to \$15,000 each to a child, grandchild or any other person in 2019 without having to pay gift tax or tap your lifetime estate and gift tax exemption.

### More estate tax liability qualifies for an installment payment tax break.

If one or more closely held businesses make up greater than 35% of an estate, as much as \$620,000 of tax can be deferred and IRS will charge only 2% interest.

### The income tax brackets for trusts and estates are somewhat wider in 2019

|  |  |
|--|--|
| If income of an estate or trust .....        | The income tax is                          |
| Not over \$2,600 .....                       | 10% of taxable income                      |
| Over \$2,600 but not more than \$9,300.....  | \$260 plus 24% of excess over \$2,600      |
| Over \$9,300 but not more than \$12,750..... | \$1,868 plus 35% of excess over \$9,300    |
| Over \$12,750 .....                          | \$3075.50 plus 37% of excess over \$12,750 |

More capital gains of trusts and estates will be taxed at favorable rates.

For 2019, the 0% rate applies for trusts and estates with taxable incomes up to \$2,650. The 20% rate begins at \$12,951. The rate on income between these amounts...15%

The 3.8% surtax on net investment income hits income over \$12,750 in 2019

# Business Succession Planning: 6 Key Questions

If you own a family business and have not yet developed a thorough business succession plan, you may want to consider the following list of questions. These cover just some of the issues a good plan would address. It's really never too early to start thinking about what's next for your business, and these questions will put you on the right path.

## Who will take over when you're gone?

- Whether you're taking the precaution of planning in case of unexpected tragedy or simply doing due diligence in advance of a planned retirement, this is one of the biggest questions you need to answer.
- If you were to become incapacitated or die unexpectedly, is there someone ready to step in to run the business?
- In such a situation, would your family or other business stakeholders have fast access to funds that would allow them to hire any necessary resources to keep the business going?
- Is your family protected against financial risk if you should pass unexpectedly?
- Do you have a detailed management succession plan that clearly defines who will take over which roles?

## How much control would you like to retain?

- Are you aware that there are gifting strategies that allow business owners to transfer portions of a business into trusts for children or other beneficiaries while still maintaining complete control over the business?
- Do your estate planning documents dovetail with your business succession plan to ensure that everything goes according to your wishes?
- Are you allowing children who may one day inherit the business the opportunity to gain management experience well in advance of having to take over?
- Is your business managed based on a majority rule situation, and – if so – are you sure you will always be in the majority?

## What do you need to consider in arrangements with family members, co-owners, non-family owners, third parties, etc?

- In the case of your or another co-owner's death, do you have a mandatory buy-sell agreement in place that triggers the automatic purchase of business interest by other co-owners (protecting beneficiaries from unintentionally becoming business owners)?
- Does your buy-sell agreement cover all potential situations including death, disability, incapacity, bankruptcy, loss of a professional license, retirement, etc.?
- Have you defined the value of each owner's interest in the business, based on appraisal, fixed price, book value, annual earnings, replacement cost of hard assets, or some other method?
- How are you addressing the needs and rights of siblings with varying levels of skill and interest in the business?
- Do you know how a living trust can help reduce conflicts between siblings in the event of your premature death or incapacity?
- Do the wishes and expectations of your life partner – whether he or she is directly involved in the business or not – align with yours, and has that alignment or any disagreement been addressed in the business succession plan?

## What about taxes – estate, gift, and capital gains?

- Do you know how estate taxes will figure into the transfer of the business to the next generation?
- Are you working with an estate planning attorney who is an expert in the diverse and nuanced issues of accounting, insurance for liquidity, investment, etc.?
- Do you understand how the timing of your decisions will affect estate and gift tax rates, and how early planning can preserve more of your business' value for the next generation?
- Do you know the best strategies for reducing your taxable estate while still maintaining control over business decisions?

## What if you or another co-owner want to sell shares/interest in the business?

- Do you have an agreement that gives first right of refusal to other owners?
- If you're selling to an employee or outside purchaser, will you provide financing?
- If you do sell to a third party and provide financing, what happens if the business fails? How will you get your money?
- What rights and role do you have if you are owned money by the purchaser over a 5- or 10-year promissory note?

## How can you convert your years of hard work into an income stream that supports your retirement?

- Have you made plans to proactively accrue funds for retirement well in advance of leaving the business?
- How will you protect the business value for the next generation while still adequately funding your retirement?
- Are you familiar with grantor retained annuity trusts (GRATs) and grantor retained unitrusts (GRUTs), which allow you to transfer business assets to your children while keeping a source of income for your retirement?

Clearly, there are many moving parts to a complete and thorough business succession plan. There are a lot of scenarios, personalities, and consequences to consider – for your family, your business, and your own retirement.

If you'd like to find out about your options, learn how to get started, and talk with one of our attorneys, feel free to reach out any time. ■



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