

SMART PLANNER

Useful Tips for a Better Tomorrow

Summer 2021

How to keep your vacation home in the family



If you haven't yet given thought to what will happen to your vacation home (or other real estate) once you're gone, please read this!

Mere ownership of real property can trigger not-so-pleasant things such as creditor claims, unnecessary probate, additional tax, and most importantly – ugly family disputes. But at some point, you'll need to think about both passing along your property and the best way to do that.

Here are some options. Which one you choose depends on your preference and individual situation.

Sell the property outright

You can sell the vacation home directly to your children – a straightforward solution that increases your capital liquidity while freeing you from the burden of property taxes and maintenance expenses.

Establish a life estate

In this scenario, you transfer the home to your children now, but are able to continue using it for the duration of your life time. Remember, though, that in this case the vacation home will still be included in your estate for tax purposes.

Gift the property over time

If you're not concerned about reaping any financial benefits from the sale of the property, you can gift it to your children. To avoid gift taxes of up to 40%, you can gift portions of the vacation home (up to the federal annual limit) over the course of multiple years. This does involve a little extra work with yearly appraisals, but you can use tax valuation discounts.

Establish an LLC

A Limited Liability Company (LLC) can be used to both reduce your taxable estate and give your children partial ownership of the home. So long as you retain a majority of the ownership then you can designate the rest to your kids while retaining the ability to make all of the important decisions about the property.

Set up a living trust

You can use a professional or personal trustee (a professional one can often help avoid internal family drama). There are two primary types of trusts:

- **A revocable trust** allows you to maintain full control of the property while designating your children as the ultimate beneficiaries.

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GOOD TO KNOW



YIKES!

If you make any marks on your original Will, such as crossing out or adding something, it may be considered a revocation of the Will. **BE SAFE** – call us when you wish to make changes, we can update your Will properly.

*“To acquire knowledge,
one must study; but to
acquire wisdom, one
must observe.”*

– Marilyn vos Savant



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Be Careful: Transferring Assets to Qualify for Medicaid may Backfire

If you want Medicaid in Connecticut to pay for your long-term care, one thing you should NOT to do is give away your assets – unless you think you won't need Medicaid within the next five years.

When you apply for Medicaid for long-term care in either a nursing facility or in your home, you are required to provide financial records for the past five years. This is called the “look back” period.

Care and comfort only

The rule of thumb is, you can spend your money on your own care and comfort, but you can't give it away to qualify for Medicaid. For instance, if you did any of these things, they are considered acceptable:

- paid off your debts
- made your downstairs lavatory into a full bathroom
- replaced your old clunker with a more reliable car
- prepaid for your funeral expenses



But, if you transferred ownership of your home to your children within the past five years, that would disqualify you from being eligible for Medicaid for a certain period of time called the “penalty period.” And if you really need the help, that would be a time of great uncertainty.

Say your home at the time of the transfer was valued at \$240,000 and you paid it off long ago. The state would divide \$240,000 by

the monthly cost of nursing home care – about \$14,000 per month – and you would need to satisfy a penalty period of 17 months before you would be eligible for Medicaid.

This holds true whether you transferred the house yesterday, or one day shy of five years. Conversely, if the transfer occurred at least five years and one day ago, it is not counted as a transfer.

There are many legitimate, legal ways to transfer assets to your heirs and still be eligible for Medicaid if and when the time comes. The best thing you can do to provide for your own needs and still have a legacy is to plan ahead...which means it would be wise to start your planning now. ■

WHAT'S UP WITH US



Selected for achieving outstanding results in her career, **Ruth Fortune** has been selected by The National Black Lawyers organization for inclusion in its Top 40 Under

40 Black Lawyers in Connecticut – a comprehensive list of the most outstanding black lawyers in each state.



Following her interest in advocating for older persons, **Colleen Masse** has joined the Board of Directors for the North Central Area Agency on Aging

(NCAAA) as its first vice president.



Paul Knierim was the 2021 recipient of the Connecticut Probate Assembly's Daniel F. Caruso Public Service Award, which recognizes

Paul's support of the mission of the probate courts and for years of exceptional leadership.

It's Time. Plan Today for Your Tomorrow. Call us at (860) 236-7673.

Why Small Talk and Casual Connections Matter

The movie opens on a shot of a woman walking through a quaint village of cobbled alleys and charming shops. As she makes her way along the street, she is greeted by passersby and greets them in return.

The scene could play out a thousand other ways. A young man walking down a city street calling out to friends and family on front stoops. An elderly couple making small talk with strangers on their Sunday stroll.

What these scenes have in common is that they highlight how **small, casual connections create a comforting sense of community.**

It's easy to underestimate the power of small kindnesses—of connecting with another human being who is neither family nor exactly a friend—to enrich our lives and improve our sense of wellbeing.

But the truth is that these often underappreciated moments can make a big difference.

Consequential Strangers

Unremarkable encounters with “strangers” add variety to our lives and provide emotional support. They somehow ground us and provide us a sense of being plugged into something bigger.

Feeling anchored and plugged in is something everyone needs right now as we continue living through the COVID-19 pandemic, which has upended life as we know it and stolen most of our opportunities for human connection.

But just because we may have to wear masks and social distance doesn't mean we have to forgo the small-but-beneficial (to both parties) joys of sparking friendly conversations with everyone from the barista who makes your coffee to the person who checks you out at the grocery store to the complete stranger walking their dog. In fact, it may be more important than ever to make the effort.



Researcher Katherine Fiori, who studies the social networks of older adults, was recently cited in the *New York Times*. She found that it's actually the activities that support the “weaker ties” formed with casual acquaintances (rather than the deeper ones formed with family and close friends) that deliver greater satisfaction with life as well as improved emotional and physical health.

Imagine that.

It takes so little to improve someone's life—yours or a stranger's. A bit of eye contact, a kind word, or a little banter about the latest hit show or great read can do more than you know.

And what if you took it a tiny step further?

- What if you sent a handwritten note to your hairdresser thanking them for years of making you feel fabulous?
- What if you brought the mechanic who fixes your car a box of fresh donuts?
- What if you invited the widow who sits near you in church to chat over a video call?

You might be amazed at how much you can change someone's day, or even their life, with just a small gesture of kindness.

Sometimes, just acknowledging a person is enough. And, as a bonus, each time you make this kind of connection, you're benefiting, too. Go ahead and spread the love however you like. ■

Keep your vacation home in the family

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- **An irrevocable trust** cannot be easily altered, and after you pass, the property can remain in the trust rather than passing to your kids. This arrangement helps protect the property against any claims from creditors.

An additional benefit of most trusts is that if you owned out-of-state real estate in your name, you can avoid an additional probate process that must be held in the state where the property is located.

Leave clear instructions in your estate plan

If all of the above approaches sound like they might lead to unintended strife between siblings, there is an even more straightforward way to

handle vacation homes and other property in your trust. You can simply stipulate that, upon your passing, all properties are to be sold at market value, and the proceeds from the sales split equally. Depending on the nature of sibling relationships in your family, this may be the kindest and most sensible approach.

We've seen far too many families torn apart, fighting in court because there were no clear instructions in place for handling real estate, especially after one passes. It's heart breaking.

Whether you want to avoid family strife, probate, tax or potential creditor issues, you really must include instructions for how you want your real estate to be handled. And you really should do it now. ■



Wills, trusts, probate, Medicaid... there's so much to know!

Pick up a thing or two from our attorneys and watch our latest webinars! Go to ctseniorlaw.com/webinars.

If you're not receiving our announcements or the helpful tips we share, send a note to jill@ctseniorlaw.com and Jill will be sure to keep you in the loop!



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