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Estate Planning Benefits in a Rocky Economy Markets are Down... But Your Estate Plan Could Profit

The average American's stock portfolio is down 30% to 40% or in some cases even more. Real estate values have dipped—or in some areas fallen by double-digit percentages. Terrible news... but where there's turmoil there's usually opportunity, especially where your estate plan is concerned. The combination of low asset values and low interest rates make this the perfect time to revise your estate plan and take advantage of certain strategies that are most effective in a down economy.

Consider converting traditional IRAs to Roth IRAs. If a conventional IRA has dropped in value, you'll pay lower tax on the current value. (Since at conversion you'll owe income tax on the money you contributed tax-free to the IRA, those taxes will be lower if the value has dropped. For example, if you contributed \$5,000 but the IRA is now only worth \$3,000, you'll only pay taxes on the \$3,000 current value, not the \$5,000 you originally contributed.) If you have a new-Roth IRA, it will grow completely tax-free—and if the market eventually recovers and the assets skyrocket in value, those gains will still be tax-free.

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Now may also be a great time to make a gift. You can currently give \$13,000 tax-free per person, annually. If stock you own has fallen by 50%, you can now give away twice as many shares as you could have before the fall.

Finally, ask us about a Grantor Retained Annuity Trust (GRAT). Here is how a GRAT works: When you transfer assets into the Trust, it will provide you with a yearly income for a specified term. At the end of the term, remaining beneficiaries will receive the balance of the Trust without owing transfer tax. If the assets in the Trust increase in value (because land or stock values appreciate), the increase in value goes to your beneficiaries—tax-free. In the process you'll enjoy yearly income, and if economic conditions improve greatly, the Trust could be worth more at the end of the specified term than it was when you first funded it—even after you took yearly distributions. The initial contribution of assets to the Trust can be structured so there is no gift. We may never see these conditions again. Contact our office to find out about strategies that can benefit you and your family. ■





Grandchild Proof Your House

If you're a new grandparent it's probably been a long time since you have needed to worry about having toddlers in your home.

The following is a partial list of items you should secure and precautions you should take; once you're done, you can relax and enjoy the visit!

- Safeguard all prescription and non-prescription medications.
- Unload and lock up firearms and store ammunition separately.
- Secure all alcohol and other spirits.
- Move cleaning supplies to higher cabinets.
- Ensure any items in cabinets below waist-level are safe for kids or get child locks.
- Set water heater temperature no higher than 120 degrees.
- Move house plants out of reach; many are poisonous if ingested.
- Tie up curtain and blind cords so they are out of reach (strangling hazard).
- Store furniture that can tip or be pulled over; or move to rooms children can't access.
- Remove tablecloths.
- Secure electrical outlets and appliance cords.
- Lock exterior doors and protect stairways with gates.
- Remove pet bowls from rooms children can access.
- Bottom line: Secure any item smaller than a ping-pong ball. ■

Don't Let Stress Get the Best of You

Some things we just can't control: Loss of a loved one, job loss, illness, divorce or injury... even the stress of raising children or grandchildren. Those events create stress, and while you may not be able to control the things that cause you stress, you can take steps to handle the stresses in your life more constructively.

Long-term stress can cause headaches, stomach pain, and backaches. It can disrupt your sleeping and eating habits—in some cases, it can even lead to depression or long-term illness.

What are some of the warning signs that stress is starting to overwhelm you? The American Psychological Association recommends that you seek professional help if:

- You worry all the time and can't concentrate.
- You get panic attacks and your heart races.
- You feel trapped.
- The way you feel affects your daily life: sleep, eating habits, job performance, and relationships.

So what can you do?

- Talk to your spouse, friends, family members, or spiritual leader.
- Change your habits: Identify the things that create stress, and develop different responses to those situations.
- Try relaxation techniques like meditation or deep breathing.
- Check out community resources like support groups, hotlines, or workshops on dealing effectively with stress.
- Get counseling through your Employee Assistance Program at work, if available.
- Ask friends to recommend a qualified therapist, psychologist, or psychiatrist, or get recommendations from local mental health professionals or your physician.

For many people, stress is caused simply by taking on too many responsibilities or the addition of a new responsibility. Set aside time for things like family meals, hobbies, exercise, and activities you enjoy. What is the worst that can happen if you don't get some things done? The impact is probably negligible—but if stress gets the best of you, it could have serious consequences. ■

Planning Ahead Leaves More Options Open

The average funeral costs over \$6,000. The price can rise dramatically; for example, some caskets alone cost more than \$15,000. As a result, many people plan—and finance—their funerals in advance. Not only can you save money by pre-planning, but you can also spare your loved ones the strain and emotional pain of making funeral arrangements while they're grieving.

There are many options for funeral planning in advance. A couple of examples include pre-arrangements made through a funeral home, and pre-funding arrangements through a Funeral Trust. Here's a brief explanation of both approaches.

Pre-arranging a funeral through a funeral home is very popular. According to the AARP, over 21 million Americans have made arrangements for their own or for a loved one's funeral. It's easy to set up: You meet with a funeral director, determine your needs, and develop a package of services the funeral home will provide. Then you either make payments over time or purchase a life insurance policy payable to the specific funeral home you wish to work with. As a result, when the time comes, the arrangements—financial and otherwise—are already in place.

Another payment option would be to set up what is called a Funeral Trust, which is growing in popularity. You fund this particular Trust and at your death the funds are used to pay for your funeral. Any remaining funds are distributed to your beneficiaries as you specify. To ease the emotional bur-

den on your family, you should specify your funeral plans: The type of service you want, casket and other items, where you will be buried, etc. Taking care of those details in advance ensures your funeral is both funded and planned.

The main disadvantage to pre-planning through a funeral home is lack of flexibility. You may be locked into using that particular funeral home, and if the funeral home is sold, goes out of business, or does not honor its commitment, your family could be left to deal with that problem. A Funeral Trust does not limit you to using a particular funeral home, can yield tax advantages, and can appreciate over time, potentially leaving extra funds available to be distributed to your beneficiaries.

Depending on your situation and the type of Trust used, the funds in a Funeral Trust may be free from creditors and free from Medicaid considerations. ■



What's in a Legacy?

We often discuss famous people in this section. In this issue, we are featuring two “regular” people who are leaving an amazing legacy.

Jon Wehrenberg retired manufacturing executive and weekend pilot, 65, and his partner Debi Boies, a retired nurse, co-founded “Pilots N Paws,” an online forum connecting flying enthusiasts with animal rescuers.

“My interest was in seeing whether pilots—who are always looking for an opportunity to fly—would be interested in doing animal rescue flights,” said Wehrenberg. In the process, he's created a new link in the chain of animal rescue networks that help divert abandoned dogs and cats

from pounds and euthanasia to homes of people who will foster or adopt them. “I feel a lot better about myself as I help change the lives of animals and pet owners,” said Wehrenberg.

He has flown 113 animals in the past year, which is a fraction of the pets transported by other pilots. He has fit as many as 11 animals at a time in his plane.

In their retirement years, Wehrenberg and Boies have created a lasting legacy that continues to positively touch more people and benefit hundreds of animal's lives each year. For more information, visit www.pilotsnpaws.org.

What will your legacy be? ■

Identity Theft: Rising or Declining?

Identity theft continues to be a hot topic, and for good reason. In 2007, complaints to the Federal Trade Commission (FTC) rose by 20% over 2006. The average loss, per victim, rose by 25%.

The result, in terms of dollars, is huge. The FTC determined that identity theft cost Americans over \$2.1 billion in out of pocket costs annually—and that number only includes people who filed a police report. The actual loss is probably much greater, with estimates as high as \$5 billion.

A few more results from the report:

- ▶ The FTC received 813,899 identity theft complaints.
- ▶ 3% of consumers lost more than \$5,000. About 10% lost between \$1,000 and \$5,000.
- ▶ The 5 leading complaint categories:
 - Identity Theft (32%)
 - Shop-at-home/Catalog Sales (8%)
 - Internet Services (5%)
 - Foreign Money Orders (4%)
 - Prizes/Sweepstakes/Lotteries (4%)
- ▶ The payment methods:
 - Credit cards (33%)
 - Wire transfers (28%)
 - Bank account debit (17%)
 - Personal checks (10%)
 - Money orders (7%)
 - Cash advances (3%)
- ▶ Total complaints by age:
 - 40 - 49 (23%)
 - 30 - 39 (21%)
 - 50 - 59 (20%)
 - 20 - 29 (16%)

How can you protect yourself? Safeguard your information. Routinely monitor your financial accounts and billing statements. Report a suspected identity theft as soon as it occurs.

For more information, check out the FTC's Avoid ID Theft website at: www.ftc.gov/bcp/edu/microsites/idtheft.



A Tax Break Is a Terrible Thing to Waste Fund a Child or Grandchild's Education With a 529 Plan

If you aren't already aware, there are two types of 529 Plans: Prepaid tuition plans and college savings plans. Prepaid tuition plans allow you to lock in predetermined prices for future college tuition costs. But they do have restrictions. Prepaid plans may include residency requirements, age restrictions for the beneficiary, and limited enrollment periods. They also may not let you put aside money for living expenses, since many only cover tuition and fees.

On the plus side, college tuition rates tend to rise faster than the rate of inflation, which makes a prepaid plan a good option as long as you plan to send your children to a public university in your state of residence. You can make a one-time lump payment or pay a monthly amount over a specified number of years.

A college savings plan is more flexible than a prepaid tuition plan. In most cases, the beneficiary is allowed to go to a school in any state. Plus you may be allowed to choose how the money is invested, using mutual funds, money market funds, or bond funds. College savings plan funds can be used to pay for "qualified" educational expenses like room and board, additional fees, books, computers... in general, anything directly related to the student's education.

There are potential negatives, though. Unlike a prepaid tuition plan, the money you put in a college savings plan may be subject to swings in the market, depending on the investment option you choose. In addition, you cannot "lock in" costs now and pay that amount regardless of any price increases.

529 Plans are not deductible from your federal taxes, but some contributions (up to a certain amount per year, typically) may be deductible at the state level.

Fund a child's education and possibly get a tax break—what's not to love? ■

Winning Recipe

Asparagus Risotto

1 pound asparagus, 2-inch lengths
½ cup chopped onion
5 cups chicken broth
2 tablespoons olive oil
¾ stick of butter
½ cup dry white wine
1 ½ cups arborio rice
3 ounces Parmesan cheese

1. Blanch asparagus pieces in large pot of boiling water for 2 minutes
2. Rinse asparagus under cold water, drain well
3. Bring chicken broth to simmer in small saucepan, reduce heat to low and keep broth hot
4. Heat olive oil in heavy large saucepan over medium heat
5. Add chopped onion and sauté until translucent, about 4 minutes
6. Add rice and stir 3 minutes
7. Add dry white wine and cook until liquid evaporates
8. Continue cooking until rice is tender and mixture is creamy, adding chicken broth 1 cup at a time and stirring frequently, about 20 minutes
9. Add asparagus pieces and stir until heated through, about 2 minutes
10. Remove from heat, add butter and stir until incorporated
11. Stir in grated Parmesan cheese

Makes 4 servings

Nutrition Information Per Serving:

Calories	320
Total fat	5g
Carbohydrates	46g
Dietary fiber	1.5g
Protein	15g

Have a great recipe to share with everyone? Have it featured in our next newsletter by emailing it to frontdesk@aaepa.com. ■

Overeating Affects More Than Your Waistline

Eating too much, even just at one meal, may cause you to loosen your belt, but the impact could be much greater. For example, big meals can also raise the risk for heart attack and gallbladder problems.

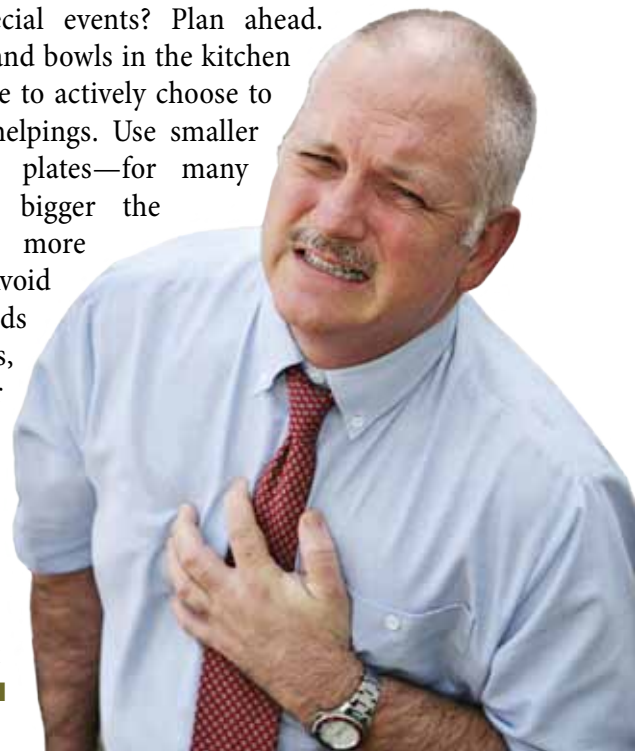
Think of it this way: The average male needs about 2,500 calories a day. The average American takes in about 4,500 calories (including almost 230 grams of fat) on Thanksgiving Day.

And what happens? Overeating makes your body work harder to digest the food. The extra workload on your digestive system forces your heart to pump more blood to your stomach and intestines. Fatty foods and the lack of proper nutrients can also lead to changes that cause your blood to clot more easily, increasing the risk of a heart attack.

Then, as your stomach releases food into your intestines, your gallbladder releases bile to aid fat digestion. It's working harder... and gallstone attacks can occur when clusters of solid material get stuck in the narrow duct connecting your gallbladder to your intestines. While gallstone attacks are normally not life-threatening, they can be incredibly painful.

So what can you do, especially around holidays or special events? Plan ahead.

Keep plates and bowls in the kitchen so you'll have to actively choose to get second helpings. Use smaller spoons and plates—for many people, the bigger the plate, the more they'll eat. Avoid finger foods before meals, eat smaller portions and you will respond more naturally to signals from your metabolism that you're full. ■



A Message from the Firm Founders

Tax Planning Opportunities

As you enjoy your summer, take a minute to consider that we're half way through the year! How are those New Year's resolutions doing? Last issue, we recommended that you take advantage of tax planning opportunities offered by the economic downturn. Have you harvested your losses, transferred funds to 529 plans, or made a decision on converting your IRA to a Roth? Have you asked us if these strategies would be appropriate for you?

This issue has ideas that can be used to transfer assets to your beneficiaries while those assets are "on sale". This has been a great six months for transferring wealth by using Charitable Lead Trusts, Qualified Personal Residence Trusts, low interest family loans, and gifts or sales of assets that may be at an all-time low. Many of our clients have worked with us to reduce the interest rate on intra-family loans, or even loaned funds to that new college grad at 0.76% to retire a student loan at 7%. Others are working with us to determine how to help family members get a house while prices are depressed. Still others are looking at those asset-based long-term care policies that were paying 4% in April as an alternative to those 2% CDs, or as someone called it, a CD alternative with a purpose!

For each month that goes by with an increase in interest rates or upturn in the market, there is a lost opportunity to take advantage of these strategies. Be sure and contact us to make sure you don't miss out! (and, by the way, if you've still not funded your Funeral Trust, what are you waiting for???) ■

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Armstrong, Fisch & Tutoli

The attorneys at Armstrong, Fisch & Tutoli have been providing quality estate planning for San Diego clients since 1976. They have reached thousands of people concerned about protecting their families from the devastating legal effects of disability and death. With the aid of public seminars, numerous articles, interviews and television appearances, the Law Firm of Armstrong, Fisch & Tutoli has championed the use of revocable living trusts as a proven way to protect families from the expense and delay of probate, conservatorships and the cost of paying avoidable estate taxes.

Attorney Michele A. Tutoli has been assisting individuals with their legal and financial management needs for over thirty years. She has been certified by the State Bar of California, Board of Legal Specialization, as a specialist in estate planning, trust and probate law. In addition, she is a Registered Financial Consultant and Certified Financial Planning Professional®.

In addition, our team consists of qualified individuals, many of whom have been with our firm for over 10 years. A more recent addition, attorney Stephanie A. Lord, focuses on working with families and ensuring a smooth transition of assets from one generation to the next. For those of you who are familiar with AF&T Financial Group's financial and tax planning services, we are proud to announce that Steve W. Pollock has recently obtained the Certified Financial Planning Professional® designation.

For more information, please visit our web site at www.armstrongfisch.com. To schedule an appointment, please contact the Law Firm of Armstrong, Fisch & Tutoli at 858-453-0626. ■

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