

Inside this Issue:

Front Page:

The Cutting Room Floor
On the House

Page 2:

On the House (cont.)

Page 3:

The Cutting Room Floor (cont.)

Back Page

Website Announcement
Cartoon

The Cutting Room Floor

A word from Attorney John L. Laster

"We need to turn the air conditioning off; it makes too much noise." How, exactly, had I found myself sitting in my office on a hot August afternoon, wearing a dark suit, surrounded by bright studio lights, with the air conditioning off, feeling like a deer in headlights in front of a video camera?

This journey began earlier this summer, when we took the plunge and began work on launching a new and improved website for our firm, complete with a one-minute promotional video that

would play from the website's front page.

Like many people, I've never felt natural on film, so I approached this video shoot ...gingerly.

The skill and patience of our videographer James proved essential in eliciting a few short sound bites. In doing so, I tried channeling the spirit of authoritative actors like Cary Grant, Gregory Peck, and Sean Connery. (Still trying, thanks.) One of my other models turned out to be the fast-talking FedEx spokes-



"...distilling the spirit of an entire career down to one minute ..."

man – "When it absolutely, positively has to be there overnight." But whoever my muse was,

(continued on pg. 3)

On the House: Think Twice Before Giving Away Your Home

Chris Tomlin

From time to time, clients tell us they want to transfer title of their house to their children during their lifetimes. Why? Usually, people are looking to avoid probate, avoid estate taxes, or qualify for Medicaid, and they think giving away their house would be a good way to accomplish these goals. So, is this a good idea? It can be – but usually only if done in certain ways. Often, a straight-out gift of a house will not achieve the intended result, or will have unintended

consequences, or both. Some comments:

Capital Gains Taxes. Giving a house away during your lifetime will, in most cases, increase the chances that the recipients will have to pay capital gains taxes if they ever sell the house. Why is this? Say your children inherit your house upon your death, and they later sell the house – in this case they will pay capital gains taxes as if

(continued on pg. 2)

Red, White & Bleu... And Greene

On October 26th, we hosted our annual workshop for our maintenance plan members at Red, White & Bleu in Falls Church, VA.

Our friend, David Greene, gave us a presentation on building trust in relationships. This was followed by a pairing of wine and cheese.

A thank you to everyone who was able to attend and make it a truly memorable evening.



On the House: Think Twice Before Giving Away Your Home (continued from pg. 1)

they bought the house for its fair market value on your date of death. But if you give your house to your children during your lifetime, and they later sell the house, they will pay capital gain taxes as if they bought the house for what you paid for it! Think about it. Depending on when you bought your house, and how much its value has grown, this can be a huge difference -- tens or even hundreds of thousands of dollars in extra taxes! (Stay tuned -- there are special rules in 2010 that might or might not continue.)

Estate Taxes. Some people might think "Yikes, I'm about to die and my estate will be hit with a huge estate bill. Let me just give everything away right now, and then there won't be anything in my estate!" Clever -- but there are rules in place to prevent people from avoiding estate taxes by making large lifetime gifts.

For example -- say you have \$2 million, and the government has a \$1 million estate tax "exemption". (This means that after you die, your first \$1 million will be exempt from tax, and the next \$1 million will all be taxed.) So, on your deathbed, you give your daughter a check for \$1 million, which she deposits. Then you die, and your estate has only \$1 million left -- all of which is exempt from tax, right? If only it were that easy. The IRS will say "Nice try -- but we see that you gave away \$1 million this year, so your exemption will be reduced by that much. Let's see -- it looks like that eats up your whole exemption. Your entire estate will be subject to estate tax -- please make your check payable to the U.S. Treasury."

However you slice it, giving a large gift (like a

house) outright to avoid estate taxes is usually not going to work.

Qualifying for Medicaid. Medicaid is a "needs-based" program -- anyone with "too much" money will not qualify for Medicaid. Some people might think "OK, let me just give away everything I own today, and I'll be good to go for Medicaid tomorrow!" Not so fast. The government will say "Nice try -- but we see that you gave away some of your property during the last 5 years, so we're not going to let you join Medicaid right now. How long is the wait going to be?"

Well, that depends on how much you gave away -- the more you gave away, the longer you'll have to wait. Now, let's pull out our incredibly complex rule book and calculate just how long you'll be waiting here." So, be aware that giving away your house will not lead to an immediate "thumbs up" from Medicaid. More likely, you'll be in for quite a wait.

(There are, however, some important exceptions to this rule.)

Avoiding Probate. Sure, giving away your house will remove it from your probate estate. But there are better ways of doing this -- for example, transferring title of your home to a revocable trust. This is the best of both worlds. For all practical purposes, the house is still treated as being "yours", but it doesn't pass through the probate system. In Virginia, this is not as important, because Virginia real estate, no matter how you own it, *does not pass through the probate system* -- it automatically "drops like a rock" (as they say) to your heirs. No deed required or anything.

So -- if you are thinking about giving away your house, you might want to think again. There are probably better ways of achieving your goals.





The Cutting Room Floor (continued from pg. 1)

let's just say that we're not working on my Oscar acceptance speech.

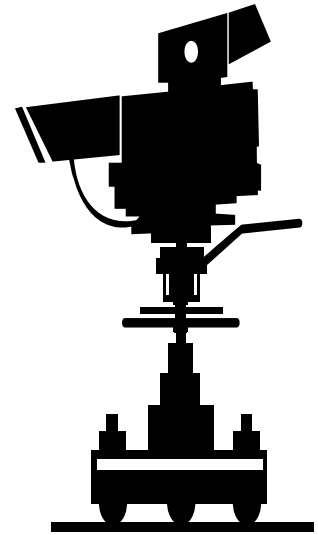
All in all, this video shoot – for all of its nerve-wracking and humbling elements – was a valuable experience, as it forced us to zero in on the essence of our practice. In other words, what is it that you say when you're given only one minute to explain the reason that we do what we do, to justify our coming into work every day. In a way, this exercise – distilling the spirit of an entire career down to one minute – helped me to refocus my priorities.

Some of what follows made it into the video; a lot wound up on the cutting room floor:

- We believe in listening to our clients.
- We believe in giving clients what they want and need - not necessarily what we want and need.
- We believe that our clients deserve thoughtfulness, patience and the willingness on our part to understand what they want to do and why they want to do it – they don't benefit from a cookie-cutter approach.
- We believe that it's important to explain the client's options in ways that the client will understand them.
- We believe we owe it to clients to help think through the implications of a plan - so it's fully-realized, not half-baked.
- We believe in keeping current but we don't believe in jumping after the latest fad.
- We like working at the intersection of technical know-how and emotional "with-it-ness".

• We find ourselves working with clients when their lives are in changing – by reason of births, deaths, divorces, marriages, sales of business, retirement, and, oddly, long distance travel. That's an exciting time to work with clients.

As I read that list, I think, "that sounds like a good place to work" and it leaves me with a renewed sense of purpose. Now, if we could only get the #*&\$!@^#% #!@&\$* computer network to do what it's supposed to do !



Each person who worries of what's left behind

Should schedule a time to gain peace of mind.

To discuss your families, values and goals,

Always mindful that we care for each who enrolls.

Thoughtful planning will calm your fears,

Engendering trust for the rest of your years.

Please know that we offer the personal touch,

Life's troubles and struggles are never too much,

As we listen to you and explore your choices,

Never falling in love with the sound of our voices.

No detail is spared, for we value precision,

In crafting a plan that captures your vision.

Now that you've read this poetic promotion,

Go call us today, and set things in motion!

As always, the way our business grows is through your referrals. We are honored to serve the people whom you send.

**Law Offices of
John L. Laster**

Old Brickhouse Square
103 Rowell Court
Falls Church, VA 22046

Phone: 703.538.3600
Fax: 703.538.3601
E-mail: admin@trusttolast.com

Coming Soon: OUR NEW WEBSITE!


www. TRUST TO LAST.com

Please update your e-
mail address at:
[admin @trusttolast.com](mailto:admin@trusttolast.com)



Happy Thanksgiving

Coming Soon!

TrustToLast.com

We are updating our website. It will have the same address but a new look. We are expanding the content and adding a video of our team.



Stu's Views

© 2004 Stu All Rights Reserved www.STUS.com



Reprinted with permission

