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# your estatematters

Deborah Sexton Law Office, PA



## When Interest Rates Are Low

### What Does That Mean for Your Estate Plan?

Relatively low—or high—interest rates are neither inherently good or bad. When rates are low, borrowing money costs less, but the return on interest-bearing investments is also low. What is important is that you choose, when possible, the right estate planning strategies for current economic and financial market conditions.

Making a loan to a family member is one way to take advantage of low interest rates. Instead of borrowing from a bank, a child or grandchild can borrow from you. As long as you charge interest at the Applicable Federal Rate (AFR), gift taxes will not apply. The AFR is published by the federal government monthly.

When the minimum interest rate is applied for the proper loan term you avoid triggering a taxable gift while helping a family member buy a home, start a business, or make other investments. If the rate of return the family member achieves exceeds the AFR, those proceeds are not a taxable gift by you and the family member has liquid assets because of the loan you made to them.

Another strategy to consider in a low interest rate environment is a Grantor Retained Annuity Trust (GRAT). A GRAT is a Trust where the grantor retains a right to a fixed series of periodic payments during the term. After the term, the remaining funds go to pre-designated beneficiaries. If the Trust achieves a return better than the interest rate assumed by the IRS (based on the current AFR), there would be money left in the Trust at the end of the term. The fixed payments to the grantor can be set so the gift can be "zeroed-out." In other words, the grantor is not considered to have made a gift, even though a great deal of money might go to other beneficiaries at the end of the term. In a low interest rate environment, it's easier for the Trust to beat the rate the IRS is assuming. For example, the interest rate assumed by the IRS for this type of transaction has been as low as 1%. A low interest rate sets a pretty low bar for the Trust to exceed.

Other estate planning strategies can also be favorable in a low interest rate environment. Call our office to schedule an appointment to see whether these or other strategies make sense for you and your family.

## 3 Surprising Things That Increase the Risk of Dementia

An estimated 5.4 million Americans, or one in nine people over the age of 65, have Alzheimer's Disease. As Baby Boomers age, that number will naturally increase… but there are other factors that contribute to the risk of dementia.

1. **Anticholinergics.** Anticholinergic drugs block the action of acetylcholine, a neurotransmitter, that transfers signals between certain cells and affects how your body functions. Many are available only by prescription, but some over-the-counter sleep aids, allergy medicines, and pain medications like Tylenol also have anticholinergic properties. The risk of dementia increases when a person takes two or more anticholinergics. (Ask your doctor or pharmacist if the drugs you are taking have anticholinergic properties and if other options are appropriate.)
2. **Heartburn medications.** A German study found a possible link in older adults between dementia and medications like Prilosec and Prevacid, commonly used to reduce heartburn. The study concluded that, "the avoidance of (medications like these) may prevent the development of dementia."
3. **Lack of vitamin D.** Older adults with low levels of vitamin D had an increased risk of cognitive decline. The solution is simple: go outside, eat more fish, dairy products, fortified foods and take a vitamin D supplement.

# Are You at Risk of 'Polypharmacy'?

Polypharmacy is the word used to describe people who take five or more medications. While that seems like a lot, it's easy for seniors to be prescribed a variety of different drugs: some for specific conditions, others to mitigate the side effects of the medications they take.

According to Harvard researchers, almost 40% of seniors 65 and older take five or more medications. And it gets worse: according to the Journal of the American Medical Association, nearly two-thirds of survey respondents also use dietary supplements and approximately 40% took over-the-counter medications.

Why is that a problem? Medications can be prescribed by different specialists who are unaware of the scope of medications and supplements taken by their patients. For example, a cardiologist may prescribe a blood thinner like Coumadin for an elderly woman. Her endocrinologist may prescribe Fosamax for osteoporosis. While there is no risk when those two drugs interact, if she also takes an over-the-counter omega-3 fish oil supplement she can experience external or internal bleeding because of the combination of the fish oil and blood thinner.

Don't assume physicians know everything their patients are taking. A recent Journal of American Medical Association study found that over 42% of adults do not tell their primary care doctors about their commonly used complementary and alternative medicines.

How can you help a loved one avoid the dangers of polypharmacy? A simple way is to perform a "brown bag" review. Simply gather up all prescription and over-the-counter medications, as well as all supplements and herbal remedies, and ask a physician to review them in aggregate. Keep a running list of current medications with you. This could be a resource for you and the doctors you may see. Some senior patients can qualify for a Medicare medication review that includes an action plan (Go to **Medicare.gov** for more information).

But above all, don't wait. In this case, what you don't know can definitely hurt you or your loved ones.

# Planning a Charitable Donation?

## Consider a Charitable Remainder Trust

We all want to help other people, especially those in need. The IRS makes charitable donation even more attractive by providing tax breaks to those who make such donations. Why not help others and take full advantage of the tax benefits allowed?

One way to do just that is to set up a Charitable Remainder Trust (CRT). Here's how a CRT works. First, you set up a Trust and transfer the assets you want to donate to a qualified charity to that Trust. (Use a site like **charitynavigator.org** to research potential charities.) The charity serves as trustee and manages or invests the property so it will produce income. The trustee pays you or someone you name a fixed amount or a fixed percentage of the Trust periodically during the term of the Trust. The term can be a fixed number of years or your entire life. When that period ends, the assets in the Trust go to the charity.

What's in it for you? Aside from helping a worthy cause, you receive an income stream and defer the gains on assets in the Trust. Say you place shares of stock in the CRT instead of selling that stock and giving the charity the proceeds. Let's look at a stock worth $100,000 which you bought for $20,000. If you sold the stock, you'd pay tax on the capital gain of $80,000. So, you might pay $25,000 or more in state and federal income taxes and only be able to give $75,000 to the charity and get a charitable deduction for only that $75,000. If you contribute the stock to the CRT, you get a deduction based on the full fair market value of the stock—$100,000. You get a deduction for the proportional share of the contribution deemed to be going to charity. The trust can be set up to give you, the donor, a fixed income stream or other options.

There are two basic types of CRTs. With an Annuity Trust, a fixed dollar amount is paid to the Trust beneficiary over the term of the Trust, creating a fixed income stream. With a Unitrust the beneficiary receives a percentage of the Trust's assets each year; the actual dollar amount can vary depending on the investment gain or loss experienced by the Trust's assets.

Which form of CRT is right for you? That depends on your current income, the type of asset you wish to give to charity and the makeup of your stock portfolio. Every individual's situation and needs are different. Yet, under the right circumstances, a CRT can be a great way to defer taxes on income and investment gains while making a valuable charitable donation.

But keep in mind there are disadvantages to a CRT: setup, maintenance, and ongoing filing fees. Also, a CRT is an Irrevocable Trust—but you can change your mind about which charity receives the assets in the Trust.

Call our office to determine whether a CRT is the best way for you to help others in need and maximize the tax benefits of your generosity.

## What's in a Legacy?

He was an Oscar-nominated and Emmy-winning actor, writer, producer and director, starring in several iconic films that appear on many "all-time best" movie lists.

Even so, the organization he formed in 1991 following his wife's death may be his most lasting contribution. Gilda's Club and similar organizations offer emotional and social assistance to complement the medical care given to patients with cancer and serve as a support group for patients' families and friends. His Congressional testimony also resulted in $30 million being allocated to federal ovarian cancer research. He is widely credited with ushering in "a new era of openness in conversations around cancer."

Many people will never see Willy Wonka and the Chocolate Factory or Blazing Saddles. Many people will never see Gilda Radner's performances on Saturday Night Live. Even so, Gene Wilder's love for Gilda and the philanthropy and advocacy it inspired will positively impact cancer patients and their families for generations to come. What will your legacy be?

## Children Are Often Caregivers
### And They Need Support, Too

According to a recent AARP study, more than 65 million people, or an estimated 29% of the U.S. population, provide care for a chronically ill, disabled, or elderly family member or friend during any given year, spending an average of 20 hours per week providing care for their loved one.

That number includes nearly 1.4 million children aged 8 to 18 who provide care, whether by shopping, cleaning, or even helping with hygiene. While that devotion is heartwarming, they can often fall behind in school, suffer from sleep deprivation, and struggle with depression, anxiety and stress. Plus, a study by the Bill and Melinda Gates Foundation found that 22% of high school dropouts left school to care for a family member.

Organizations across the nation are stepping in to help. The American Association of Caregiving Youth (**aacy.org**) is a national organization that provides support services for youth caregivers and their families by connecting them with healthcare, education, and community resources.

If a young person in your extended family is providing care for a parent or grandparent, one way to help is to simply offer emotional support. As Connie Siskowski, the founder of Caregiving Youth says, when children learn they are not alone and help is available, "The kids feel valued; they learn what love is, and it flips the anger and frustration they may otherwise feel."

## Compliments of
### Deborah Sexton Law Office, PA

Deb Sexton is an estate planning attorney dedicated to providing quality estate planning resources so you can become familiar with all of the existing options to consider when creating your estate plan. If you have a well-drafted estate plan in place, you'll ensure that your estate passes to whom you want, when you want, and is carried out in the manner you've chosen. When you visit or call our office, we want you to feel comfortable discussing such an important issue concerning both you and your family.

Our office can provide you with the information you need to make informed decisions about your family's future. Call for a FREE half-hour consultation, visit our website for free copies of reports and articles on various estate planning issues at **www.arkansas-estateplanning.com**, or contact us at (479) 443-0062.

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