

Looking Ahead With Griep & McRee

www.griepmcree.com

Fall-Winter 2002

“No-Kids” Estate Planning Techniques

Our firm has helped hundreds of families with their estate planning needs. But we are often asked “How would you address estate planning for **childless couples?**” or “What about **single people with no dependents?**” Add to these categories the many families whose children will not need a significant inheritance, those who wish to help other family members or charities, and there is a substantial population of people who do not “fit” the traditional *spouse and children* planning concepts.

Here are a few estate planning techniques worth considering:

- **Tuition payments.** You can pay for anyone’s education without owing gift taxes, as long as the payments are made *directly to the school* and are used to cover *tuition and books*, not room and board. (This is in addition to the \$11,000 per year you can give to any number of people, free of gift taxes.) This allows you to target the money for a specific purpose.
- Also, don’t forget the new tax-favored college savings accounts offered by some states. You can use your \$11,000 tax-free gifts to open accounts for anyone. The money grows *tax-deferred* until it is tapped for tuition, books, and sometimes room and board. Then the earnings are taxed at the student’s tax rate.
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- **Grantor Retained Income Trust.** A “GRIT” lets you transfer assets to heirs during your lifetime with tax advantages. Congress has outlawed its use for lineal relatives (spouses, children, siblings), but it can still be used to benefit non-relatives or collateral relatives (such as nieces, nephews, cousins).
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- Consider the example of a 50-year-old woman who contributes \$1 million to a GRIT for her niece. During the predetermined life of the trust — let’s say ten years — the aunt is required to receive the income (if any) generated by the \$1 million. Investment of the money can be conservative or aggressive, depending upon the terms of the trust. If the objective is to “grow” the principal, which will pass to the beneficiary when the trust ends, then income will be kept to a minimum. Using historical investment averages, this hypothetical \$1 million GRIT could expand considerably, perhaps to *three times its original value*, benefiting the niece, with reduced tax consequences. GRITs must be carefully drawn, and expert investment advice is always recommended. (continued on page two)



*Happy Holidays to
You and Yours!*

Galen Griep & Sharon McRee



In this newsletter...

- ◇ “No Kids” estate planning
- ◇ Long-term care planning is critical
- ◇ Law firm offers new tax preparation service!
- ◇ Watch for our new book!

New Year’s Resolution #1... Long Term Care Planning

*You are seven times more likely (in any given year) to become **DISABLED** than you are to die.*

Long-term care insurance is a way to ensure your future care, without government support or depletion of your estate.

Recently, we experienced a family crisis that has emphasized the need for long-term care planning. A devastating accident blinded one of our family members, who now requires assistance in the tasks of daily living.

Fortunately, this individual had anticipated the possibility of an illness or injury. She was able to remain in her own home, with full-time care, for six months, while she considered care options. When she decided to

move to an upscale assisted-living facility, her financial needs were met.

There is no substitute for planning!

Our forthcoming new book includes a chapter on long-term care realities. We are enclosing a copy of that chapter for your consideration.

We hope that in 2003, you will resolve to call us to discuss long-term care planning, to refer you to an insurance broker, or to work in a professional partnership with your agent.



"No-Kids" Estate Planning

Plenty of options with expert help

continued from page one

- **Private foundations.** James, 54, a business owner, and his wife, Nicole, 51, an architect, expect to amass assets of about \$9 million by the time they die. With no children of their own, they are already paying the private-school tuition of one of James' two teenage nieces and will probably pay for both girls' college and graduate school, too. With the estate tax exemption of \$2 million and some careful planning, they can leave substantial inheritances to the girls, tax-free.

They are contemplating leaving the balance of their estate to their own private foundation, to benefit local charities in Pasadena and Glendale. The nieces could be trustees, drawing a reasonable salary and distributing the money. *One underappreciated benefit of setting up a foundation is that the responsibility of running the foundation*

helps build the character of the trustees. The nieces could name their own children as successor trustees, so James and Nicole can create a *legacy of character and compassion.*

- **Charitable trusts.** Charitable trusts are ideal when an individual, couple or family have non-cash assets with meaningful market value. The transfer of the assets to one or more charities (either immediately or sometime in the future) provides an income tax benefit to the donor, offers transfer of capital gains liability, can provide a stream of income to the donor or other designated beneficiaries, and may be earmarked for specific purposes.



Please call us!

There are numerous options for the childless and for those who do not choose to leave their entire estates to their own

Law Firm Introduces Tax Preparation Services

Most of all of our clients realize that managing partner Galen Grieppe holds the rare designation of *Certified Specialist*, as awarded by the California State Bar, in the field of Trusts, Estate Planning and Probate Law. **But did you know that he holds a master's degree in tax law?**

For many years, Galen has helped individuals, families and small business owners with tax planning advice and services, often helping to create corporations, partnerships, advanced-level trusts and other entities. In many cases, tax management and succession planning are major motivators for the creation of these instruments.

The law firm is now offering tax preparation service for these non-personal tax entities. [Non-1040 transactions.]

Watch for news about our new book!

A chapter from our new book is enclosed with this newsletter! Please let us know how you like it.

Our first book [featured, right] is about basic estate planning concepts, including living trusts, insurance trusts and tax planning. It was published in 1996 and we still receive many orders from all over the U.S., asking for this basic, easy-to-read consumer guide.

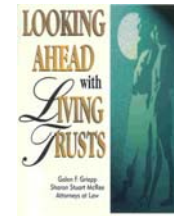
As our own clients have become better informed they have expressed interest in intermediate and advanced estate planning concepts, which are beyond the scope of *Looking Ahead With Living Trusts*.

We look forward to publication of our "intermediate" estate planning guide (as yet untitled). **Watch our newsletter for a publication announcement!**

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