

# ELDER LAW *Update*

NEWS AND IMPORTANT INFORMATION FOR SENIORS AND THEIR FAMILIES

## HOW TO HELP PARENTS AND GRANDPARENTS IN FINANCIAL NEED



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As the elderly population of the U.S. increases, and as the effects of the economic downturn hit, more and more adult children find that their parents or grandparents are not doing as well financially as they had hoped. Many need help paying for medical expenses, home care expenses, mortgage or rent payments, and more. Adult children would like to be able to help, and a properly executed GRAT (Grantor Retained Annuity Trust) can be the perfect vehicle for wealthy children to give financial aid to their parents or grandparents without taking away from their lifetime gift-tax exemptions.

Under the right circumstances, creating a GRAT allows a child to set up a trust with a term of at least two years, funding the trust with stock or other investments and naming elderly parents or grandparents as the beneficiaries of the trust. The trust pays the principal plus interest back to the grantor (the adult child) over its two-year term as if it were an annuity, based on an interest rate

set by the Internal Revenue Service. Any appreciation of the underlying investments above the "hurdle" rate is then passed on to the parents as beneficiaries of the GRAT, without being considered a gift for tax purposes.

If this is a strategy that appeals to you and your family you may want to act fast, as this opportunity may not be around forever. The Obama administration has recently recommended imposing a 10 year minimum term on GRATs, an act which would make the GRAT strategy significantly less useful for many families. Adult children who would like to use a GRAT to pass wealth up to their parents or grandparents should consult with a financial or estate planning advisor sooner rather than later.

Contact our office for more information about GRATs, or for information about other ways to give financial help to elderly parents and grandparents.



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# OBAMA'S BUDGET PROPOSAL MEANS CHANGES FOR RETIREES IN 2012



Last month the Obama administration released their budget for the 2012 fiscal year; included in that budget were a few things that retirees (or those close to retiring) will want to be aware of.

From the looks of things, the Obama administration had a weather eye out for the needs of the growing senior population, because the proposed budget includes a few items that encourage employers to look out for the retirement needs of their workers by instituting automatic workplace pensions and by giving tax credits to companies who contribute to employees' retirement plans. The proposed budget also allocates over \$12 billion for social security.

But not all of the proposals included in the budget are beneficial to retirees. Included here is a short list of items in the proposed budget that could—for good or ill—affect retirees in 2012:

## **Automatic workplace pensions**

This would require employers (with the exception of very small businesses) that do not currently offer a retirement plan to enroll their employees in a direct-deposit IRA account; although employees would have the ability to opt-out if desired.

## **Tax incentives to create retirement plans**

This proposal would increase the value of the tax credit to small businesses that start new retirement plans. The current maximum credit

is \$500/year for up to three years; the new proposal would increase that to \$1000/year.

## **More Social-Security funding**

Obama's budget would allocate \$12.5 billion to the Social Security Administration, up \$1 billion since 2010. The primary aim of this increase would be to "reduce the backlog of disability claims and decrease Social Security fraud."

And here are a few things in the budget that seniors may want to watch out for:

## **Pension insurance premium increases**

"The budget proposes giving the Pension Benefit Guaranty Corporation... the authority to adjust premiums and take into account a company's financial condition when setting premiums." Although this is certain to result in premium increases, the increases would be gradually phased in.

## **Senior Community Service Employment Program funding cut**

The proposed budget would reduce funding for the Senior Community Service Employment Program by 45 percent, and would transfer the program from the Department of Labor to the Department of Health and Human Services. Seniors who hope to retrain for new jobs in their retirement years may find this more difficult to do than they expected.

# CAN YOUR HOME BE MADE “SENIOR-READY”?

There used to be very few options for seniors who began to have trouble living on their own. In many cases the only options available were to move in with family or move into a nursing home. Now, however, that doesn't have to be the case. With new advancements in technology, the help of family and local aging services, and with some planning and forethought, many seniors will be able to live at home and on their own for many years. Here are a few things to consider if you want to stay in your home during your Golden Years:

## Support System

Do you have family or friends nearby who can check on you regularly and help when home maintenance issues crop up? Having someone close to you who can provide you with transportation is helpful as well, although many cities have public transportation services that may be an option.

## Home Renovations

Is your home senior or handicap friendly? Are doorways and hallways wide enough to accommodate a wheelchair? Could you easily add ramps or lifts in place of stairs, if necessary? Do your kitchen and bathrooms facilitate easy maneuverability with as little reaching or bending over as possible?

## Security or Medical Alert System

Having a security or medical alert system in place can provide immeasurable comfort to an elderly homeowner and his or her family. The technology for this is improving by leaps and bounds, and there are a number of different options available.

## In-Home Care Services

The length of time you can remain in your home can be greatly increased if you have the financial means for (and access to) quality in-home care services. Someone to do basic cleaning and cooking, and help with daily activities, can prolong your time spent at home... but you have to plan for it.

Getting older shouldn't mean you have to give up your home, your friends and neighbors, or your independence. Contact our office for more information about what you may need to stay in your home as you age, or check out the website for the National Aging In Place Council, found at <http://www.ageinplace.org>.

