

P & K Briefs

Volume I, Issue I

April, 2009

Long Term Care Planning

In light of the economic recession, we wish to share a few of our thoughts on the recession and how it may impact your estate and long term care planning.

Some personal observations from our practice concerning the current situation:

- Many individuals have seen their net worth decrease by one-half or more, and many do not want to open their IRA or investment statements.
- All age groups have been impacted by the recession.
- Interest rates are extremely low. Earnings on investments have also been dramatically reduced.
- Unemployment is very high especially among 20-40 year olds.
- Credit card, home equity loan and car loan debt is drowning many individuals.
- The divorce rate seems to be increasing.
- More individuals are concerned about the financial security of the social security system.
- Medical technology continues to extend life expectancy.
- Nursing home and medical costs continue to rise.
- State and local governments are reeling from the cost of Medicaid care for nursing home residents.
- We can expect cutbacks or increased eligibility restrictions in long term care services from government.
- The estate tax exemption has increased to \$3,500,000. The estate tax will not be eliminated for 2010.

Check out our
Upcoming Seminars
(see page 4)

P&K SUMMER
OPEN HOUSE!
Details on page 4

These factors may impact your estate and long term care planning:

Long Term Care

In the area of long term care planning, it is becoming more and more essential to plan ahead. Many people who thought they (or their parents) had sufficient assets to fund their own long term care expenses should reevaluate their plans. The combination of longer life expectancy, escalating costs, fewer assets and lower earnings on these assets may have rendered many prior plans obsolete.

There are still many planning methods that are effective to ensure that you or your loved ones are properly cared for, but they work best when you are prepared before you or a loved one needs long term care. The earlier you plan for yourself and your loved ones, the better. Also it may be beneficial to look into long term care insurance policies as a tool to help pay for long term care expenses.

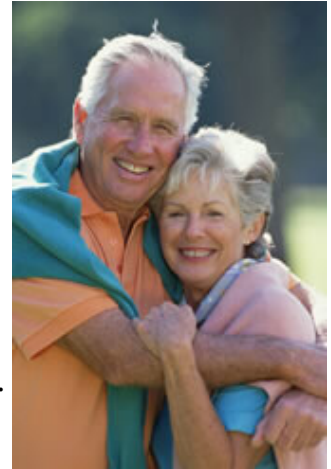
Married Couples

With the increase in the Federal Estate Tax exemption to \$3,500,000 and a decrease in asset values, estate taxes are no longer a concern to many married couples. In some cases the emphasis will be upon Medicaid planning and/or beneficiary planning.

However, if you have trusts that were designed for estate tax savings you may wish to review your assets to determine the asset flow upon your death. In some instances, with the increased exemption and lower asset values, the entire trust of the first spouse to die would be allocated to the family trust which often benefits the spouse and the children (and in some cases only the children). The result is the surviving spouse may have fewer assets in his/her name alone than anticipated. In many cases this is not a problem, but it merits your review.

Beneficiaries

Planning for beneficiaries has become more complex because the beneficiaries' needs have become more complex. Additional planning may be required to assure that your heirs' inheritances are not dissipated by creditors or by divorce. The use of more sophisticated trusts in planning for beneficiaries is becoming more common.



“There are still many planning methods that are effective to ensure that you or your loved ones are properly cared for...”

IRAs

Because of the current economic problems IRA required minimum distributions have been suspended for 2009. For planning purposes, you may want to review your plan to assure IRA benefits are distributed to your beneficiaries over their life expectancy and possibly take additional steps to help insulate from creditors, etc.

Powers of Attorney

It is becoming more and more essential, especially in the area of long term care and disability planning to have General Durable and Medical Powers of Attorney in place for you, your parents, your grandparents and even your children who are over age 18 (especially those in college). Having these in place preserves the flexibility to continue planning even when you or a loved one becomes incapacitated, and to account for changes in laws and regulations.

Business Owners

For most business owners, now is absolutely the right time to plan for transitioning your business. A combination of lower business valuations, low interest rates and a strong indication that the Federal Estate Tax will continue has created the perfect storm for succession planning.

In summary, some planning opportunities exist in the current environment, but timing and proper planning continues to be essential. If you want to follow-up, please call either our St. Joseph office at (269) 983-0325 or our New Buffalo office at (269) 469-5297.

On page 4, please find details of the free seminars we will be presenting which address some of the various issues discussed in this newsletter. Feel free to attend and, as always, bring a friend.

CIRCULAR 230 NOTICE

THIS COMMUNICATION IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY PERSON, INCLUDING, BUT NOT LIMITED TO THE PERSON TO WHOM IT IS ADDRESSED, FOR THE PURPOSE OF AVOIDING POTENTIAL FEDERAL TAX PENALTIES. THIS STATEMENT IS INTENDED TO COMPLY WITH THE REQUIREMENTS OF TREASURY DEPARTMENT CIRCULAR 230.

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Upcoming Events

2009 Spring Seminar Series

Medicaid Planning 2009...Strategies and Options

Tuesday, April 28, 2009 6:30 p.m.

Passaro & Kahne Law Office
2900 S. State Street, Suite 3 East
St. Joseph, MI 49085



Valuations and Water Locations...What's Happening in Appraisals and Waterfront Real Property

Thursday, April 30, 2009 10:00 a.m. Thursday, May 7, 2009 10:00 a.m.

Vickers Theatre
6 North Elm
Three Oaks, MI 49128

Heritage Center
601 Main Street
St. Joseph, MI 49085



The Perfect Storm for Business Succession Planning

Thursday, May 7, 2009 3:30 p.m.

Heritage Center
601 Main Street
St. Joseph, MI 49085



Planning for Professionals: Income Tax and Estate Planning

Thursday, May 7, 2009 7:00 p.m.

Heritage Center
601 Main Street
St. Joseph, MI 49085

Register for any of the above seminars by...

phone: 269-983-0325 or 269-469-5297 • email: alice@passarokahne.com

online: www.passarokahne.com

Summer Open House

Thursday, June 18, 2009 4:00 p.m.

Passaro & Kahne St. Joseph Office

RSVP...

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