McDowall Times

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A common sense approach to the practice of law

How Will You Pay for Health Care When You Retire?

This issue's guest columnist is Christopher Devcich with Edward Jones.

When you retire, some of your regular expenses are going to go down. But others are going to go up - and topping the "going up" list is health care. Well before you retire, make sure you've got the resources necessary to deal with those doctor's visits and prescription drugs.

How expensive will health care be for you during your retirement years? Here's a number to consider: A 65-year-old couple retiring today will need, on average, $200,000 set aside to pay for medical costs in retirement, according to a recent study by Fidelity Investments. And this number doesn't even include the cost of over-the-counter medicines, most dental procedures and, most importantly, long-term care (such as in-

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Estate Planning Maintenance Program

McDowall Cotter's experience with Trust Administration, Probate and Trust and Wills Litigation has been that while a living trust centered estate plan can greatly reduce the need for additional legal and professional services on death or disability of the trustmaker, professional assistance is still necessary in almost every case. Two common factors lead to an estate plan not meeting the goals and expectations of the trustmakers -- First, the estate plan has not been properly funded (assets have not been accurately, if at all, titled to the trustees of a revocable trust), which leads to probate. Second, the estate plan has not been updated or maintained so that when goals and objectives change or assets are brought or sold, the plan does not

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REFERRALS

Referrals constitute a majority of our business. If you have a family member, friend or co-worker that needs our assistance, please feel free to give them our number. Rest assured they will receive the same ingenuity, integrity, and common sense approach that you received. **Referrals are the greatest compliment we can receive.** Thank you!

Events / Workshops

McDowall Cotter would like to take this opportunity to thank all of our clients, friends and collaborative and financial advisors who have attended our recent events. All of the events had a great turn out and went well thanks in large part to our new, state of the art educational facility. We are ecstatic that we are now able to host events in our office and are looking forward to seeing you all at future events!

A recap of recent events:

Collaborative Successor Trustee Training

Needs Benefit Approach to Estate Planning

Successor Trustee Workshop

Asset Protection & Wealth Transfer

Estate Planning Tune Up

See page 3 for a list of our upcoming events. Please call or email us for additional information.

WORKSHOPS

We are hosting a complimentary workshop, "Estate Planning Tune-Up" at our educational facility. The workshop will review existing Estate Plans and will highlight our maintenance program.

See page 3 for additional details.

Health Care—How Will You Pay For It When You Retire?

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home health care or an extended stay in a nursing home).

Of course, the $200,000 figure is just an average; your costs may be considerably different. For example, you might have retiree health coverage from your former employer, although this seems to be becoming less likely, given the fact that more and more companies are scaling back on precisely these benefits.

To prepare yourself for the six-figure sums you might need to pay for health care, consider these suggestions:

♦ Stay healthy. Obviously, you can neither prevent all illnesses nor suspend the natural aging process. However, by eating right, exercising regularly and reducing stress, you can improve your health and possibly reduce the odds of incurring high medical costs in retirement.

♦ Contribute to a Health Savings Account (HSA). If you have access to this type of plan at work, consider using it. Your money has the potential to grow tax deferred, and you can withdraw funds from your account tax free, provided withdrawals are used for qualified medical expenses. Keep in mind, though, that the contribution limits to HSAS are relatively low, so your savings will probably not grow enough to cover all, or even most, of your medical costs, Yet, every dollar can help.

♦ Plan ahead for long-term care. If you are fortunate, you will never have to enter a nursing home or require the services of a home health care professional. Still, you never know. People who reach age 65 have a 40 percent chance of entering a nursing home, according to a study by the U.S. Department of Health and Human Services - and in some areas, just one year's stay in a nursing home can easily cost $100,000. To avoid incurring these catastrophic expenses, consider putting a long-term care protection plan in place.

♦ Boost your savings. It's easier said than done, but try to put away as much as you can while you're working. Fully fund your IRA each year, and put as much as you can afford into your 401(k) or other employer-sponsored retirement plan. If you "max out" on your IRA and 401(k), you might want to invest in an annuity, which provides the potential for tax-deferred growth of earnings and can be structured to pay an income stream that you can't outlive.

No one can predict the future. But by recognizing the likely costs of health care during your retirement years, and by taking the steps necessary to deal with these expenses, you can hopefully avoid some unhealthy surprises down the road.

Christopher A. Devcich, AAMS joined Edward Jones in May of 1999. He has professional experience in Financial Services, Consumer Marketing and Entrepreneurism.

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Time to Plan as we Head "Back to the Future"

As of the date of this writing, August 23, 2010, Congress has yet to act on important tax matters. In 2001, major tax legislation, EGTRRA, was passed by Congress. The effect of EGTRRA was to increase the deficit in the long-term so a procedural maneuver was needed to pass it, which limited its life to 10 years.

10 years will have come and gone. Without congressional action by January 1, 2011 EGTRRA will sunset and many of this nation's tax laws will return to how they existed in 2001. Thus, we go back to the future.

As of August 16, 2010, the Joint Committee on Taxation provided a 521 page overview of the Presidential 2011 budget proposal, which was submitted on February 1, 2010. Here are the highlights of the 2011 budget proposal:

♦ Good news: The 2011 Budget Proposal will retain the current lower individual income tax rates unless one is a high earner in which case the tax rates are going up.

♦ Good news: The proposal continues to provide favorable tax treatment for dividends and keeps the capital gains rates at 15% (as opposed to the pre-EGTRRA rate of 20%) except for high earners who will see the

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Upcoming Events and Workshops

ICE CREAM SOCIAL

Wednesday, September 15, 2010
2:00PM to 6:00PM
2070 Pioneer Court, San Mateo

See the enclosed flyer for details.

ESTATE PLANNING TUNE-UP

Tuesday, September 28, 2010
Wednesday, November 17, 2010
2:00 to 4:00PM and 6:00 to 8:00PM
2070 Pioneer Court, San Mateo

This free workshop is an overview of the legal and procedural requirements of trust administration to assist clients and their trusted family advisors to properly discharge the duties of the trustee in the event of death or incapacity.

FOR COLLABORATIVE & FINANCIAL ADVISORS

NEEDS BENEFIT APPROACH TO ESTATE PLANNING

Thursday, September 30, 2010
Friday, October 1, 2010
9:00AM to 5:00PM
2070 Pioneer Court, San Mateo

INTEGRATED REAL ESTATE STRATEGIES
Tuesday, October 19, 2010
8:30AM to 10:30AM
2070 Pioneer Court, San Mateo

MAINTENANCE PROGRAM

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change accordingly.

McDowall Cotter's estate planning team led by Brett Lytle and Bob Vale have developed an estate planning program designed to keep your estate plan up to date, and to keep you informed of the matters impacting your estate plan. We call this *McDowall Cotter Estate Planning Maintenance Program*.

The goal of the maintenance program is to provide you with peace of mind. It is designed to provide you with the highest level of assurance we can give you that your life and estate plan will continue to meet your goals and objectives, and will perform as you expect. It is also designed to keep your "after death settlement costs" to a reasonable amount at the time of your death.

See the enclosed flyer and Annual Subscription Agreement for more details.

"Back to the Future"

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20% tax rate applied to their capital gains.

♦ Mixed news: The Federal Estate Tax is the tax imposed on an individual's estate when it exceeds a certain amount, sometimes known as the Exemption Amount. Under EGTRRA, the estate tax exemption amount has been creeping up until this year when the estate tax exemption is unlimited, meaning there is no Estate Tax, at least as of this moment. Under the proposal, a 45% tax rate would be applied on amounts over 3.5 million.

♦ Troubling News: The proposal has the application of the 3.5 million Estate Tax exemption and 45% tax rate apply to estate of decedents who die on or after December 31, 2009. In other words, the proposal seeks to apply the Estate Tax *retroactively*.

♦ Good news/bad news: The proposal is for assets to receive a 'step-up' in tax basis to the value of the assets on the date of death (or 6 months after if the value of the estate has decreased). Thus capital gains tax exposure is eliminated and new depreciation schedules can be applied to commercial properties in the event of a death. The bad news is that, for purposes of calculating the estate tax, the IRS uses the date-of-death value of assets held by the decedent.

♦ Good News: Distributions to a surviving US citizen spouse continue to receive an unlimited marital deduction. In other words, so long as property flows to the US citizen spouse, no estate tax is imposed; rather it is deferred until the death of the surviving spouse. Also, bequests to qualified charities continue to be free of estate tax.

The shocking news: If congress does not act by the end of the year, EGTRRA expires and we go back to the way it was in 2001. That means higher individual tax rates, Federal

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Back to the Future

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capital gains rates at 20%, an estate tax exemption of $1 million, and other tax increases.

Our offer of assistance: It is time to act in the face of congress's inaction. We are offering complimentary client workshops aimed at providing workable solutions for our estate planning clients. The workshops will review upcoming changes in the tax law and how to best plan for those changes. The client workshops are scheduled for September 28, 2010 and November 17, 2010 Call now to reserve your seat.

A Common Sense Approach to the Practice of Law

McDowall Cotter has served clients in the greater San Francisco Bay Area for more than half a century. In that time, we have established a reputation, in the courts and in the community, for ingenuity, integrity, and a common-sense approach to the practice of law.

It has been said that in some ways we are an old-fashioned law firm. We believe in civility, value long-term relationships, cultivate a healthy work environment, and provide the highest quality legal representation in matters large and small. And we agree — we are old-fashioned, but then again we've been old-fashioned for more than fifty years and still somehow we remain ahead of our time.

Our services include:

- Estate and Trust Planning
- Trust Administration
- Probate
- Will Contests
- Trust Contests
- Challenges to Trustees and their actions
- Employer/Employee Relations
- Personal Injury Lawsuits
- Defending Civil Lawsuits
- Partition Actions
- Construction—Mechanic's Liens
- Trademark Applications
- Corporation, LLC Formation

McDowall Cotter

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