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VOLUME XIII

INSIDE THIS ISSUE...

Thank You! Thank You!

Thanks to YOU, the word continues to spread. Thanks to all of our clients and friends who graciously referred us to their friends, clients, and relatives this year. We appreciate the great comments and referrals that build our practice. We couldn't do it without your support.

Discounted Fees For Family

Do your adult children have a Will; do they have a Health Care Power of Attorney; do they have a Property Power of Attorney; do they need a Trust for their children? We will give them a free office consultation and on top of that, we'll discount the cost of their documents by 10%. ***We want your children to join our "family" of clients!*** Even better, if they attend one of our dinner seminars, they receive a great ***free*** dinner, 2 hours of education and a $500 discount on our PAT Trust or $250 discount on a standard trust (can't be added to the 10% discount above). ***Call today*** for the date and location of our next dinner seminar.

The Law Office of Bruce Kiselstein, Ltd.

NEWSLETTER

Trusts, Estates, Taxes & Asset Protection - A Problem Solving Law Firm

I Like the PAT Trust But What Else Can I Get Free?

You have read about the Personal Asset Trust℠ (PAT) in our past newsletters. Many clients have already created PAT's to protect their loved one's inheritance from ***creditors, divorces, lawsuits*** and other possible pitfalls. But something has prevented ***you*** from creating a PAT for your family. Maybe, it's the thought that you already created a trust five, ten or fifteen years ago that will avoid Probate. Perhaps you've already created your HIPAA updates so that your successor trustees can access your medical records without tripping over the privacy laws. You feel that you don't want to "start over" by "restating" your old trust to include the PAT protections. The reality is, ***you don't want to pay more today*** for a restatement of your existing trust, than you did to create it the first time. I know how you feel. I didn't want to pay more for my new car than I did for my old one...but it had over 120,000 miles on it. Your trust may have a lot of miles (years) on it, too.

At the same time, you think, "it ***would*** be nice to protect my child's inheritance from my son-in-law or daughter-in-law." Or you think your son-in-law or daughter-in-law is great, ***but what if he or she remarries after my child dies***. You want your hard earned assets to pass to your grandchildren, not your son-in-law or daughter-in-law's new spouse. Maybe, you just want lawsuit protection for your children.

If only you could get ***more for your money***. Well, you can! All of our PAT Trusts include a "service program" that includes ***free phone calls for life***, ***free tri-annual office reviews and free consultations*** with your loved ones at the death of you and/or your spouse. For a married couple who has a 3-year, 6-year and 9-year "check-up" with us and two "death consultations" with your family, the savings for that family equals $1350 to $1650 in billable hours. In addition, with the estate and income tax legislation being in limbo until the next administration takes office, the service program will be very important in making sure that we help you avoid unnecessary Federal and Illinois death taxes. Remember, the **current** death tax legislation proposes that the Federal death tax exemption of $2,000,000 will increase to $3,500,000 in 2009; will be unlimited in 2010; and will return to $1,000,000 in 2011. The current Illinois death tax exemption is ***frozen*** at $2,000,000. This "service program" may protect your family from unnecessary death taxes by the continued monitoring of your trust at least once every three years.

Also, you receive our ***Trustee's Manual, free!*** This 160-page book with instructional DVD, will ease the administration process for your Trustees. It will also help to avoid many of the possible problems that can occur during trust administration, avoid litigation and disputes. We also include one ***free*** year of the **DocuBank®** program, which allows a treating doctor, access to your healthcare documents in case of a medical emergency, anywhere you travel (even out of the country).

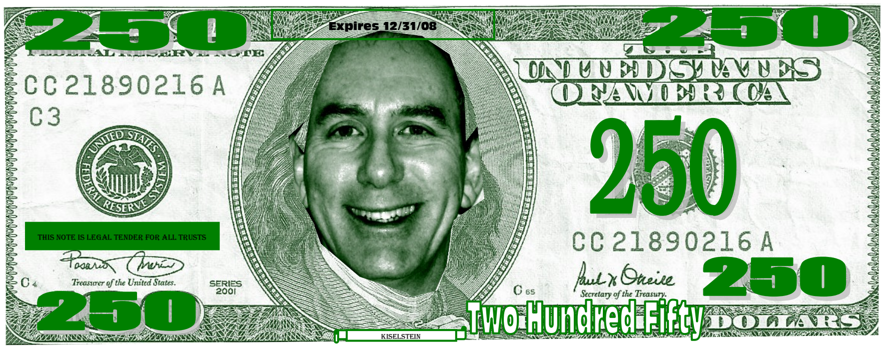
To take advantage of the "service program" and ***asset protection*** for your family, call us for an appointment at **847-670-8200**. (For a limited time, until 12-31-08, this newsletter will serve as a ***$250 discount coupon on a PAT℠ Trust update***.)

We Want Your E-Mail Address!

We can send our clients tax updates, rate changes, new law information, etc., faster and easier, if we have your e-mail address. Please call us at 847-670-8200 (24 hours) and give us your e-mail address or e-mail your name and e-mail address to our secretary at kzkoenig@sbcglobal.net. Over the next two years, we will be phasing out newsletters by U. S. Mail. All newsletters will eventually be e-mailed unless you advise us that you do not have a home computer and you still want to receive the newsletter by standard mail.

"Who Else Wants To Win A $250 Transferable Gift Certificate?"

Take our Trivia Challenge and you could, win too! This is one of our favorite sections. Here's a trivia question. The first THREE people who call our office with the correct answer win a free $250 reduction on any estate planning service we provide. (One per client, please.) And best yet, your certificate is transferable. Use it yourself, or give it to a family member or special friend and help them save money. Take your best guess and call us at 847-670-8200. The Mega Trivia Question…



From which same Law School did both Bruce Kiselstein receive his Law Degree (J.D.) and John (Jay) Gleason receive his Masters in Tax Law (LL.M) degree?

- ***A) Loyola***
- ***B) John Marshall***
- ***C) DePaul***
- ***D) Northwestern***
- ***E) University of Illinois***

Current 2008 Tax Rates			
Annual Gift Exclusion	$12,000/person $13,000 after 12/31/08	IRA Over Age 50 "Catch-Up" Extra Contribution Limit	$1,000
Federal and Illinois Estate Tax Credit Amount	$2,000,000/person	401(k), 403(b), and 457 Plan Extra Over 50 "Catch-Up" Limit	$5,000
Estate Tax Rate on Assets Above $2 Million	45% Fed 16% IL	Medicare Part B Premium (may be more if over income limits)	$96.40
Roth IRA/IRA Annual Contribution Limit	$5,000	Medicare Part B Deductible (plus 20% co-insurance)	$135
401(k), 403(b), and 457 Plan Annual Contribution Limit	$15,500	Medicare Part A Deductible	$1,024

Stretch-Out of Your IRA's and Retirement Plans

In previous newsletters, we've discussed the IRA stretch-out concept. This means, after your demise, your children or other beneficiaries can take the required minimum distributions (RMD) under the most liberal rules allowed in the IRS Code. **In 2003, the stretch-out rules changed drastically**. If your IRA or retirement plan pays to your trust after last spouse's death, the ***new rules*** allow your trust beneficiaries to take out the RMD's ***over the life expectancy of the oldest trust beneficiary.*** This means that if your oldest trust beneficiary is 55 at the last spouse's death, everyone who is a trust beneficiary can stretch their RMD's ***over 30 years*** under the current tables! The old rules required that the beneficiaries take RMD's over the last spouse's remaining life expectancy, which may have only been a few years, depending on your age. ***The new rules are better!*** However, the new, better rules ***only apply if your trust contains the regulatory language required under the 2003 law.*** This means that if your trust was drafted before 2004, ***it does not qualify for the new longer stretch-out***. In fact, if your IRA pays to your pre-2004 trust, your beneficiaries ***must take out the entire IRA in 5 years or less,*** thereby losing decades of tax-deferred growth and increasing their income tax liability. Our **PAT** trusts and our standard post-2004 trusts include these 2003 required IRS provisions. Contact us to make this crucial modification to your trust. Also, if your beneficiaries are more than 4 years in age difference, you should be looking at our "cutting edge" IRA Inheritance Trust®, ***which allows each beneficiary to "stretch" over their own life expectancy.*** This provides amazing tax deferral if grandchildren are given some or all of the IRA. We even received IRS approval on this technique in 2005!

SUPPLEMENTAL (SPECIAL) NEEDS TRUST

Many of our clients, possibly including you, have beneficiaries who need protection beyond that provided in our Personal Asset Trusts℠. You may have children or other beneficiaries with disabilities such as Down's Syndrome, bi-polar disorder, autism or your beneficiary may be physically disabled due to injury or birth defect. These beneficiaries are likely to receive government assistance (SSI or Medicaid) to provide for their "special needs." If they inherit assets ***directly*** from your estate or trust, they will be required to "spend down" their inheritance or lose their government assistance or even reimburse the government for benefits previously received.

For these beneficiaries, we need to provide special needs planning to meet their financial and medical needs. Usually, our clients will provide for specific bequests to these "special needs" beneficiaries at the death of the client. Section 15.1 of the Illinois Trust and Trustees Act and Federal law allows a specific type of trust to be established for a "disabled" beneficiary without causing the beneficiary to be disqualified for receipt of government benefits. In addition, the beneficiary will not be liable for reimbursement for previously paid benefits. We can include the terms of such a Supplemental or Special Needs Trust within your main Trust, to provide for the beneficiary's "supplemental" or "special" needs. This may include specific therapy, medication or equipment, clothing, grooming, travel to meet with other family members and other expenditures to enrich their lives. However, the trust ***may not be funded with the beneficiary's own funds*** (if any). If the Supplemental (Special) Needs Trust is funded with the ***beneficiary's own assets***, it would be liable for reimbursement of previously provided benefits and subject to a "spend down" of assets to maintain qualification. Therefore, a disabled beneficiary must not contribute any of his or her own assets to a Supplemental (Special) Needs Trust created by another person, such as a parent grandparent, aunt or uncle.

If the beneficiary **does** own personal assets, there are other options. Often a disability arises from an automobile or work related injury. As a result of a lawsuit, the beneficiary may be awarded money because of their disability. To qualify the beneficiary for benefits, the Guardian of the Estate of the disabled beneficiary must create a different type of Special Needs Trust authorized under the Omnibus Budget Reconciliation Act of 1993 (OBRA '93 Trust). This type of trust allows the beneficiary to be eligible for government benefits, without being required to contribute his or her own assets, reimburse the government or "spend down" their personal funds. However, the OBRA '93 Trust ***must provide*** that at the death of the beneficiary, the Trust ***must reimburse the government(s) for any Medicaid or SSI payments made for the benefit of the beneficiary of the Trust during his or her life.*** This type of Trust is often referred to as a "Payback Trust" due to this requirement. The main benefit of the "payback" trust is that it only "pays back" hospital, medical, therapy, rehabilitative, medical and other costs at the "state rate" which is approximately one half (1/2) of the "private pay" rate. This preserves a greater portion of the OBRA Payback Trust to be paid to surviving family members at the death of the disabled beneficiary.

If you are interested in making current lifetime gifts to a disabled beneficiary or leaving a portion of your estate to a disabled beneficiary, you should consider the creation a Supplemental (Special) Needs Trust. If you have a disabled beneficiary that owns assets and must qualify for SSI or Medicaid, you should create an OBRA '93 Payback Trust for them. These trusts will ensure that the beneficiary is not rendered ineligible for benefits. Please contact our office at **847-670-8200** to discuss this unique planning tool.

ARE ALL YOUR MAJOR ASSETS OWNED BY YOUR TRUST(S)??

Again, we remind you as we always do, please **be sure that all** of your real estate, bank accounts (over $10,000), CD's, money market funds, mutual funds, stocks, bonds and brokerage accounts are titled in the name of your trust(s). Primary beneficiary of life insurance must be your trust and **in most cases**, your trust should either be the primary or secondary beneficiary of retirement plans, IRA's & annuities. Savings bonds less than $10,000, cars and small household checking accounts are okay if they are <u>not</u> in your Trust.

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"Trusts, Estates, Taxes and Asset Protection….
A Problem Solving Law Firm"

<u>Annual Newsletter</u>
Important Estate Planning
Information Enclosed

What If The Estate Tax Credit Is Increased to $3,500,000 ?

If the Federal Estate Tax Credit increases to $3.5 Million in 2009, remember that the ***Illinois*** Estate Tax Credit is ***frozen*** at $2 million no matter what the Feds do. If you're married and have only a single trust for both of you, your family will be in "tax trouble" if there is more than $2 million at the 2nd spouse's death. A single trust for both spouses will be fine up to $3.5 million for federal death taxes but ***not for Illinois death taxes***. Get this… an estate of $2.6 million dollars will generate an Illinois death tax of $140,000. An estate of $3.5 million will cause an Illinois death tax of $238,000! If you have separate husband/wife trusts (AB Trusts), your family will not pay any Illinois death tax unless your total estate exceeds $4 million at last spouse's death. A ***funded*** two (2) trust system will still "shelter" ***both*** of your $2 million Illinois death tax credits, but watch out if you only have a single trust. If you're married and close to or over $2 million and have only one trust, you need to either see us ***NOW*** or become residents of Florida, where there is ***no state death tax.***

Coming Soon… Manual to Explain Operation of the PAT Trust

In 2007, we introduced our exclusive "Trustee's Manual" to provide a "plain English" explanation of how to administer and operate Trusts, for your Successor Trustees. It was an overwhelming success and has generated amazing positive comments for those of our clients' loved ones who needed guidance in closing down a trust, distributing assets and handling tax and accounting issues. In the past 3 years, more than 450 of our clients have either created Personal Asset Trusts℠ (PAT) or upgraded their existing trust into a PAT Trust. They've done this to provide ***safety and protection for their children's inheritance***. But… there have been a few problems. The ***children don't understand how the PAT works*** and don't contact us for their ***free*** consultation for an explanation. We have a solution! Another "plain English" book to explain the asset protection benefits and operation of the PAT Trust. We're working on the book right now and expect it to be finished in Spring '09. Stay tuned! Watch for the announced release of our new Personal Asset Trust℠ book in our next newsletter. It will be great!