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Evesham & Kresson Rds., Plaza 3000, Voorhees, NJ  
Presented by Jamie Shuster Morgan, Esquire

Oct. 16 • 7 pm - 9 pm  
The Mansion on Main Street  
Evesham & Kresson Rds., Plaza 3000, Voorhees, NJ  
Presented by Jamie Shuster Morgan, Esquire

Oct. 20 • 10 am - 12 pm  
Cherry Hill Public Library  
1100 Kings Highway North, Cherry Hill, NJ  
Presented by Doug Fendrick, Esquire

Oct. 20 • 7 pm - 9 pm  
Cherry Hill Public Library  
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HOUR which airs every  
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YOUR FUTURE DESERVES

## FORETHOUGHT

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Staffordshire Professional Center  
1307 White Horse Rd. • Bldg. B • Suite 200 • Voorhees, NJ 08043  
ph: (856) 489-8388 • fax: (856) 489-8424  
[www.fendricklaw.com](http://www.fendricklaw.com)

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# FORETHOUGHT

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## Where do the Candidates Stand?

With the elderly population growing by leaps and bounds, families are struggling with long-term care costs and worrying about Social Security. So what are the presidential candidates' plans to address these issues?

**Below is a summary of the main party candidate's positions on some of the issues that affect seniors and their families.**

### SENATOR BARACK OBAMA

Sen. Obama has a section on his website devoted to seniors and Social Security. With regard to long-term care, Sen. Obama's Web site states that he "will work to give seniors choices about their care, consistent with their needs, and not biased towards institutional care. He will work to reform the financing of long term care to protect seniors and families. He will work to improve the quality of elder care, including by training more nurses and health care workers." His website also states that he will expand eligibility for Medicaid and ensure it continues to serve its critical safety net function.

In addition, Sen. Obama told the AARP he plans to propose tax code changes that would benefit family caregivers who often "are making substantial contributions without a lot of help." He has also announced that he will eliminate all

income taxes on seniors making less than \$50,000 per year.

Other proposals include allowing the federal government to negotiate for lower drug prices for the Medicare program, just as it does to lower prices for veterans. Sen. Obama also supports allowing seniors to import safe prescription drugs from overseas and preventing pharmaceutical companies from blocking cheap and safe generic drugs from the market.

With regard to Social Security, Sen. Obama has called for a Social Security payroll tax on incomes above \$250,000 a year to begin in 2019. Currently the tax is levied only on the first \$102,000 of each worker's income. He would not impose the tax on incomes between \$102,000 and \$250,000. For more on Sen. Obama's proposals for seniors, go to: [www.barack-obama.com/issues/socialsecurity/](http://www.barack-obama.com/issues/socialsecurity/).

Also near and dear to our hearts are issues concerning the future of the federal estate tax and the capital gains tax. Under current law, the federal estate tax exemption is scheduled to increase to \$3.5 million on January 1, 2009, with a flat estate tax rate of 45% applying to every dollar over that exemption amount. Sen. Obama proposes to make the estate tax permanent with a \$3.5 million exemption

and a 45% rate. The sale of a capital asset and the receipt of a dividend currently result in a tax on the gain or the dividend at the rate of 15%. As for the capital gains tax, Sen. Obama would: (1) increase the maximum capital gains tax rate to 20%; (2) eliminate capital gains taxation of start-up businesses; and (3) provide capital gains tax breaks for the sale of appreciated land to new family farmers.

### SENATOR JOHN MCCAIN

On Sen. McCain's website, he states there is a need to develop a strategy for meeting growing long-term care needs. His website mentions state-based experiments such as Cash and Counseling or The Program of All-Inclusive Care for the Elderly (PACE) that "are pioneering approaches for delivering care to people in a home setting."

Sen. McCain's website states that he wants to "reform the payment systems in Medicaid and Medicare to compensate providers for diagnosis, prevention and care coordination. Medicaid and Medicare should not pay for preventable medical errors or mismanagement." To that end, Sen. McCain has proposed a major overhaul of Medicare's payment system to pay health care providers by how successfully they treat their patients instead of by each individual service they perform. He has also suggested making wealthier Medicare beneficiaries pay more for their benefits. Specifically he has proposed higher Medicare Part D premiums for couples making more than \$160,000 a year.

With regard to caregivers, Sen. McCain told the AARP that he believes that deci-

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Please visit our website at [www.fendricklaw.com](http://www.fendricklaw.com)

# Redo Your Estate Plan Before You Remarry

If you are getting remarried, you want to celebrate, but it is also important to focus on less exciting matters like redoing your estate plan. You may have created an estate plan during your first marriage, but this time it will probably be more complicated—especially if you have children from your first marriage. The following are some pointers to ensure your interests are taken care of when you remarry:

■ **Take an inventory.** The first thing you and your partner should do is each take an inventory of your assets and debts. Don't forget to include life insurance policies and retirement plans. It is important to be open and honest about money if you want to prevent bad feelings in the future.

■ **Decide how you want to handle finances.** For example, if one partner is selling a house and moving in with the other partner, will he or she contribute to the cost of the house? If one partner has significant debt, you may not want to combine finances or make any joint purchases. These decisions need to be made upfront so everyone is clear on what to expect.

■ **Decide what you want to happen when you die.** You and your future spouse need to figure out where you each want your assets to go when you die. If you have children from a previous marriage, this can be a complicated discussion. There is no guarantee that if you leave your assets to your new spouse, he or she will provide for your children after you are gone. There are a number of options to ensure your children are provided for, including creating a trust for your children, making your children beneficiaries of life insurance policies, or giving your children joint ownership of property. Even if you don't have children, there may be family heirlooms or mementos that you want to keep in your family. Again, open discussions can prevent problems in the future.

■ **Consult an estate planning attorney.** Even if you don't have a lot of assets, you should consult an attorney, especially if you have children. In addition to a new will, you may also need to update or create other estate planning documents such as

a durable power of attorney and a health care proxy. If you have significant assets, a prenuptial agreement may be appropriate. The attorney can also help you decide if a trust is necessary to protect your children's interests.

■ **Change your beneficiaries.** You may want to change the beneficiaries on your life insurance policy, annuity, and/or retirement plan. If you are divorced, however, you may not be able to change some of the beneficiaries. Bring your divorce decree with you to the attorney so he or she can make sure you do not violate the decree. If you can't change your beneficiaries, you may want to buy additional life insurance or retirement plans that will include your new spouse.

The most important thing to remember is to be open and honest with your future spouse and your family members about your wishes. If you are getting married or remarried please contact our office to schedule an appointment to discuss possible updates that should be made to your estate planning documents.

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## The Five Medicaid Myths

**1** **If I don't transfer assets five years before entering a nursing home, I can't do it at all.**

**FALSE.** The five year rule is a "look back" rule. It has nothing to do with when a person enters a nursing home; it refers to when a person applies for Medicaid. If a transfer has taken place within five years of the application for Medicaid, you must disclose the transfer and a penalty will be imposed.

**2** **I can't apply for Medicaid within five years of making a gift.**

**FALSE.** As stated above, the five year look back is just a look back period, it has nothing to do with how the transfer penalty is calculated. The transfer penalty is calculated by dividing the value of the gift by the state Medicaid divisor. This calculation results in a number of months for which a person who made a transfer is ineligible for Medicaid. For example, in New Jersey, if a person gifts \$40,000, they are ineligible for Medicaid five months and may be eligible for Medicaid six months after the gift is made.

**3** **I can't transfer assets if I am already in a nursing home.**

**FALSE.** Neither the look back period nor the transfer penalty, discussed above, have anything to do with when a person enters a nursing home—both relate to the date of the Medicaid application. If a person gives away money, they will either need to retain sufficient funds to self pay for the five-year period or, for relatively smaller gifts, understand that a penalty period will result.

**4** **There is no hurry to begin Medicaid transfers.**

**FALSE.** In the context of Medicaid planning, making transfers is extremely time sensitive. The transfer penalty does not begin until the transfer is complete, and the clock runs from the date of the latest transfer. Even a short delay in making a transfer may result in additional nursing home payments.

**5** **I can give away \$12,000 per year to an unlimited amount of people without a Medicaid penalty.**

**FALSE.** The \$12,000 per year gift exception is a tax rule—not a Medicaid rule. A Medicaid transfer penalty is imposed on gifts even if they are within the \$12,000 federal gift tax exclusion amount. Any gift made to an individual within five years of applying for Medicaid will trigger a transfer penalty.

# A Long-Term Care Insurance Primer

As millions of Baby Boomers head into their retirement years, it's surprising how few actually know that the government provides little more than a few weeks of financial support for home-based or nursing home care, when the average person needs it for at least a year.

A 2006 Genworth Financial Survey says that the national average private room rate at a nursing home – the most expensive care option – was \$194.28 per day/\$70,912 annually.

Long-term care insurance (LTC) may be one solution for those who need to bridge the gap between their savings and the actual costs they'll face.

Determining and paying for long-term care is almost too complex a topic to be covered in a short article like this, which is why it makes sense to discuss your individual situation with a certified financial planner professional. Here are some of the questions you need to answer before investing in long-term care insurance or other options:

## ***What resources do you have?***

We're not just talking about money here. While care giving puts a strain on family, it's important to consider whether family and friends are truly willing and able to help with your care, which can provide a considerable financial and emotional benefit. Also, if you live in a community with reliable volunteer resources to help, that's something to note, though today's services may not be there tomorrow.

## ***How old are you and your spouse and what's your health history?***

People in good health purchasing long-term care insurance at the age of 55 usually get the most affordable deal in LTC insurance. But an individual's family health history and current health status are the real determinants of what your LTC insurance policy will cost – or if you'll qualify for coverage at all. Also, it's important to note that 40% of long-term care is provided to individuals between the ages of 19 and 65, so the need for care can strike at any time.

## ***Are you a single female?***

Again, personal and family resources come into play here, but since women typically live longer than men – and they still earn less on average than men – women should take a heightened interest in providing for their long-term care safety net. Long-term care insurance might be a good solution given their other investments and their health history.

## ***What types of services are covered?***

Over the course of time, long-term care policies have evolved to place more emphasis on home-based care or assisted living, since most people would choose to recover or live out their last days in a familiar environment. A basic LTC insurance policy pays for assistance with activities of daily living including eating, dressing, bathing, toileting, incontinence, and transferring (bed to chair, etc.). Each policy lists the types of services that are covered under nursing home care and under home health care. Homemaker services are generally covered and other services as listed in the policy.

## ***What triggers coverage?***

A qualified LTC policy won't go into effect until the covered individual can't perform two tasks of daily living for a period, typically 90 days, or when that person needs substantial supervision related to cognitive impairment. This is where you have to read the fine print since some policies are more restrictive than others. More affordable policies generally take longer to kick in. See if coverage for other physical ailments is available as part of the policy and what per-diem or monthly allowances are offered.

## ***What if I never want to go to a nursing home?***

The idea is to cover every eventuality. The best-designed LTC policies will pay the same amount of benefit whether care is received in a long-term care facility, an assisted living facility, an adult day care center, or in the home. Some policies do offer reduced percentages for home health care versus nursing home care, but it's a better idea to keep full percentages

on home health care benefits since most people would rather stay in their homes.

## ***What's the record of particular companies in this business?***

Over the past generation, more companies have gotten involved in the LTC insurance business, and it makes sense to see not only who the leaders are at the time you're buying and what they're offering, but how financially healthy these companies are and have been over the course of time. You've probably heard of insurance companies that have gone out of business and stranded customers. There's no restriction on that happening with LTC providers, so check their ratings and financial history very carefully.

**Martin V. Higgins, CFP, CLU, AEP**  
Family Wealth Management Advisory, LLC  
[info@familywealthadvisory.com](mailto:info@familywealthadvisory.com)  
[www.familywealthadvisory.com](http://www.familywealthadvisory.com)  
856-988-7722

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*CANDIDATES continued from page 1*

sions about the care of older family members should remain within each family, and “any way we can help caregivers [offset costs through tax credits or other financial incentives] we should. But it needs to be part of an overall policy regarding health care.”

Sen. McCain states that he has said he would consider “almost anything” to help Social Security except higher payroll taxes. According to his website, Sen. McCain “supports supplementing the current Social Security system with personal accounts.”

For more on Sen. McCain's proposals on health care, go to: [www.johnmccain.com/Informing/Issues/19ba2f1c-c03f-4ac2-8cd5-5cf2edb527cf.htm](http://www.johnmccain.com/Informing/Issues/19ba2f1c-c03f-4ac2-8cd5-5cf2edb527cf.htm). As for the federal estate tax, Sen. McCain proposes to make the estate tax permanent with a \$5 million exemption and a 15% rate. Sen. McCain would keep the capital gains tax the same as it is today.