

# SMART PLANNER

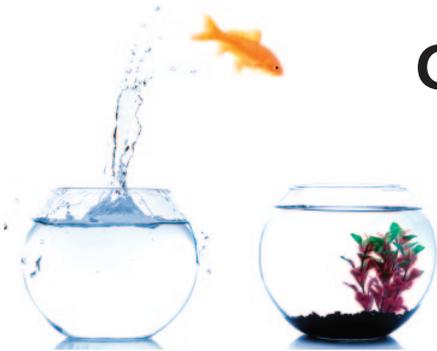
Useful Tips for a Better Tomorrow

December 2012



## CHANGE IS GOOD —especially when it benefits you!

**The New Year is a good time  
to make changes and we're  
happy to share ours with you.**



☀ **Our Wethersfield and Newington offices are consolidating and moving to new space in Berlin.** We believe bringing all of our staff together in one place will help us to serve you better. The space at 15 Massirio Drive, which is only 2 minutes down the road from our Newington office, is on the first floor, just steps away from the parking lot with Stop and Shop conveniently located across the street.

Our staff in Wethersfield will be moving into the Berlin office by year's end, and the Newington staff will follow 2 months later when the renovation of our new space will be complete.

☀ **Expanded hours** – We know it's difficult scheduling appointments during working hours; we want you to have more options. That's why we're adding flexibility to our scheduling so you can now meet with us when it's most convenient for you, including some evening hours and Saturdays.

☀ **Vernon office** – Yes! Our Vernon office remains available to you.

### LEGISLATIVE UPDATE:

## New law will help veterans qualify for services

*From the Law Offices of Sharon L. Pope*

The Connecticut legislature passed a bill during the 2012 session expanding access by veterans to public assistance programs. Specifically, Public Act 12-208 now excludes Veteran's Aid and Attendance pension benefits from being counted as income for purposes of eligibility for:

- State Administered General Assistance (Cash Assistance)
- Medicare Savings Programs (QMB, SLMB, and ALMB)
- ConnPACE / Prescription Assistance
- Medicaid
- Medicaid Program for Low-Income Adults
- The Connecticut Home Care Programs for Elders
- State Supplement for the Aged, Blind, and Disabled
- Fuel and Weatherization Assistance

In the past, many veterans receiving this benefit found that their income was over the limits, and they did not qualify for services without additional legal work. With this new law, which became effective July 1, 2012, many veterans will now qualify for services.



## WATCH OUT! Timing is Critical

Thinking of transferring assets to protect it from possible nursing home costs? Remember there's a 5 year look back period for Medicaid eligibility. If you apply too soon, you'll be penalized and you'll have an exorbitant bill to pay. Don't apply for Medicaid without seeking legal advice.

### IN THIS ISSUE

- Can you claim your parent as a dependent?
- Gift tax returns
- Delay cognitive aging with berries
- Should you have a Power of Attorney?
- Avoid automated phone mazes



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## BOOMER BULLETIN . . .

# Can You Claim Your Parent as a Dependent?

If you cared for an elderly parent, your parent may qualify as your dependent, resulting in additional tax benefits for you. Once you determine that both of you meet IRS criteria, you can claim your parent as a dependent on your tax return.

### There are five tests to determine whether you can claim a parent as a dependent:

- 1 The person you are claiming as a dependent must be related to you. This shouldn't be a problem if you are claiming a parent (in-laws are also allowed). Keep in mind, however, that foster parents do not count as a relative. To claim a foster parent, he or she must live with you for a year as a member of your household.
- 2 Your parent must be a citizen or resident of the United States or a resident of Canada or Mexico.
- 3 Your parent must not file a joint return. If your parent is married, he or she must file separately. There is an exception if your parent is filing jointly, but has no tax liability. If your parent files a joint tax return solely to get a refund, you can claim him or her as a dependent.
- 4 Your parent must not have a gross income of \$3,700 (in 2011) a year or more. Generally, you do not count Social Security income, but there are exceptions. If your parent has other income from interest or dividends, a portion of the Social Security may also be taxable.
- 5 You must provide more than half of the support for your parent during the year. Support includes amounts spent to provide food, lodging, clothing, education, medical care,



recreation, transportation, and similar necessities. Even if you do not pay more than half your parent's total support for the year, you may still be able to claim your parent as a dependent if you pay more than 10% of your parent's support for the year, and, with others, collectively contribute to more than half of your parent's support.

If you cannot claim your parent as a dependent because he or she filed a joint tax return or has a gross income above \$3,700 (in 2011) but you have been paying your parent's medical expenses, you may be able to deduct those expenses from your taxes. ☀

## Sock Away More for Retirement

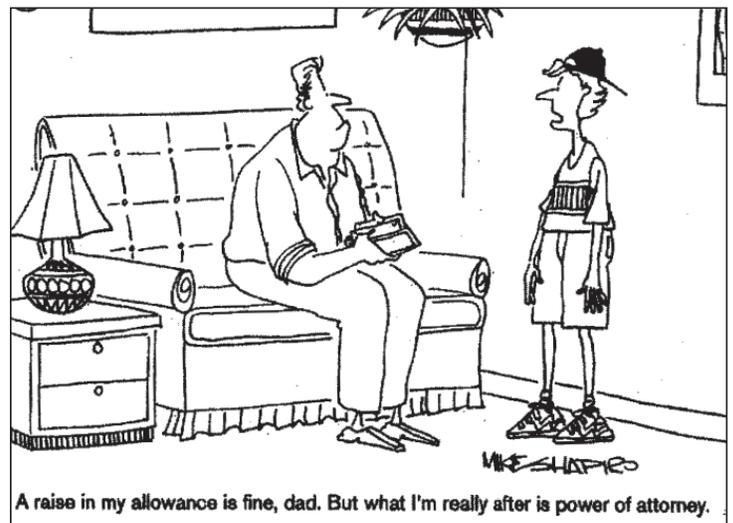
You can save more in your retirement plan next year. The IRS has raised the tax-free contribution for 401(k)s to \$17,500 for 2013, up \$500 from this year. The maximum contribution to an IRA has also been increased by \$500, to \$5,500.

## Q & A

We invite you to submit your questions to us at [plantoday@ctseniorlaw.com](mailto:plantoday@ctseniorlaw.com).

### Q Should I have a Power of Attorney?

A It is a good idea to have one, especially when planning for long-term care, provided that you have complete trust in the person that you name as your agent. A POA is an extremely powerful document that your agent can use for a variety of Medicaid and estate planning needs, both foreseen and unforeseen. Once you sufficiently identify your Medicaid or estate planning needs, you should sign a POA as soon as possible naming a trusted individual as your agent. If there is a need to implement or continue your estate plan or gifting program after your possible incapacity, the agent can implement, under your POA, your wishes to the greatest degree possible. ☀



## Wellness Corner

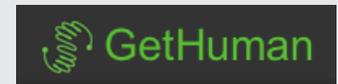
### DELAY COGNITIVE AGING, WITH BERRIES!



Older women who consume at least a cup of strawberries or ½ cup of blueberries per week delay cognitive aging by up to 2 ½ years, according to a new study at Brigham and Women's Hospital in Boston (and yes, researchers say, berries likely provide similar benefits for men). The key ingredient is flavonoids: antioxidants also found in tea, red wine, apples and oranges.

### HELPFUL TIPS

#### Get through to a human



To avoid automated phone mazes, try [GetHuman.com](http://GetHuman.com) to help you connect with a real person at 8,000 customer service departments. Type the company name, and you will get a phone number, a tip sheet and average wait time. Android and iPhone users can download the free GetHuman app.

### INTERESTING NUMBERS...

## Gifts, Anyone?

The IRS just released the statistics for 2009 Gift Tax returns that were filed in 2010. We thought you might find them interesting. Here are some of the more meaningful take-aways:

- 1 Total gifts were \$37,872,050,488
- 2 223,093 returns were filed during 2010, with 1,732 returns reporting gifts of \$1.0 million or more and accounting for \$6.1 billion of gifts
- 3 213,448 returns (95.7%) showed no taxable gifts
- 4 9,645 returns (4.3%) contained taxable gifts
- 5 Women filed 54.9% of the returns and men filed 63.3% of the returns, although by dollar amount woman accounted for 52.8% of total gifts
- 6 Children received 50.3 % of the gifts and grandchildren received 24.2% of the gifts
- 7 Charities received only 1.4% of the gifts
- 8 67.3% of the gifts were made directly to the beneficiary; 32.7% were made in trust, including Family Trusts, Qualified Personal Residence Trusts, Split Interest Trusts, and other trusts
- 9 Cash gifts were \$18 billion (47.5%), real estate was \$6.9 billion (18.4%) and stock was \$6.1 billion (16.2%)

If you would like more information or want to discuss a gifting strategy, call us now to schedule an appointment. It would be wise to look into this now before the federal estate and gift tax exemption, now at \$5.12 million per person, is reduced to \$1.0 million on January 1st.

## What's Up With Us

### Meet Nancy Shannon

Nancy is our fiduciary services paralegal with an extensive accounting and tax background. When meeting with clients and family members, Nancy puts them at ease by helping them maneuver through the many legal and tax implications of the probate process. Her expertise along with her expansive knowledge of tax and probate laws give our clients confidence that their matter will be handled in the most professional and efficient manner.



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For Legal, Financial and Healthcare Professionals

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## Social Security Benefits to Edge Up 1.7 Percent

The nation's elderly and disabled Social Security recipients will receive a 1.7 % increase in payments in 2013. This is expected to raise the average monthly payment for the typical retired worker by \$21. The increase is less than half of last year's 3.6 % cost-of-living adjustment (COLA).

In any case, the modest rise will be partially offset by Medicare's premium increases for 2013, which will be announced soon. Most Medicare recipients have their premiums deducted from their Social Security payments. The same COLA will apply to pensions for federal government retirees and most veterans.

"While this modest increase will help, much of the COLA will be consumed by health care and prescription costs, which continually outpace inflation," said Nancy LeaMond, executive vice president of AARP. "Every day, retirees and other beneficiaries struggling to make ends meet still feel like they're falling further behind."

### The COLA by the Numbers

Starting in January 2013, the average monthly Social Security retirement payment will rise from \$1,240 to \$1,261 a month for individuals and from \$2,014 to \$2,048 for couples. The 1.7 % increase will apply to both elderly and disabled Social Security recipients, and individuals who receive both disability and retirement Social Security will see increases in both



types of benefits. The maximum Social Security benefit for a worker retiring at full retirement age, which is age 66 for those born between 1943 and 1954, will be \$2,533 a month.

The Social Security COLA also raises the maximum amount of earnings subject to Social Security taxation to \$113,700 from \$110,100. This means that those earning incomes above \$113,700 will pay no tax on any income above that threshold.

The COLA increases the amount early retirees can earn without seeing a cut in their Social Security checks. Although there is no limit on outside earnings beginning the month an individual attains full retirement age, those who choose

to begin receiving Social Security benefits before their full retirement age may have their benefits reduced, depending on how much other income they earn.

Early beneficiaries who will reach their full retirement age after 2013 may now earn \$15,120 a year before Social Security payments are reduced by \$1 for every \$2 earned above the limit. Those early beneficiaries who will attain their full retirement age in 2013 will have their benefits reduced \$1 for every \$3 earned if their income exceeds \$40,080 in the months prior to the month they reach their full retirement age.

For 2013, the monthly federal Supplemental Security Income (SSI) payment standard will be \$710 for an individual and \$1,066 for a couple.

## Comic Relief

### Tax Adjustments – Read it to Believe it!

For the calendar year 2013, the tax imposed on the first sale by the manufacturer, producer, or importer of any shaft of a type used in the manufacture of certain arrows is \$0.48 per shaft. Is this what we pay our legislators for? We're thinking that Congress should be focused on other things, perhaps the fiscal cliff?

# Medicaid Figures Adjusted

**Effective January 1, 2013**, the following changes to the Medicaid regulations take effect. Due to low inflation, these figures have not changed for the last two years, but will change effective January 1, 2013:

- 1 The minimum amount of assets protectable for the community spouse is **\$23,184**, an increase from the current \$22,728. In other words, if the couple's combined assets are \$23,184 or less, the community spouse may minimally retain \$23,184 without any requirement to justify a need for that amount.
- 2 The maximum amount of assets protectable for the community spouse without a Fair Hearing or Court order is **\$115,920**, an increase from the current \$113,640.
- 3 The maximum monthly income available to the community spouse without a showing of exceptional circumstances remains at **\$2,898** and the minimum monthly needs allowance remains at **\$1,891**. These numbers will change each July 1st.
- 4 The penalty period divisor remains at **\$11,183** per month. This number will change each July 1st.

Additional assets may be protected above this amount, in limited circumstances, if there is a demonstrated need. A higher amount may be sought from the Department of Social Services through an administrative hearing, through a Superior Court, or from a Probate Court having appropriate jurisdiction through a Conservatorship.

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## A brand new Medicaid planning strategy for your clients

**Want to learn more about using annuities as asset protection tools?**

**As a result of our victory in the Lopes v. DSS Medicaid case regarding asset protection for married couples**, your senior clients may now keep far more assets than what the State had previously allowed. Now, the healthy spouse can purchase a single premium immediate annuity (SPIA) and not have it counted as assets for Medicaid eligibility for the spouse in the nursing home.

**If you have a group of colleagues in your office who would like to hear how this new change expands the asset protection options you can provide your clients, give us a call.** We'll come to your office and spell out the specific regulations and annuity rules you must know before recommending this Medicaid planning strategy, and we'll tell you how to determine which of your clients would benefit from it.



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