SMART PLANNER

Useful Tips for a Better Tomorrow Feb/Mar 2014

New Simsbury Office Now Open

Due to popular demand, we have added an office in Simsbury. The office, at 237 Hopmeadow Street, is next to the Farmington Valley Racquet Club. If Simsbury is more convenient than our Berlin, Hartford or Vernon offices, just call us and we'll schedule an appointment for you.

We look forward to seeing you there!

STORE OR SHRED?

How long you should hang onto tax records

How long should I keep my returns?

In most cases, you should plan on keeping tax returns along with any supporting documents (e.g., W-2s, mileage logs if you itemize, etc.) for a period of *at least* three years following the date you filed or the due date of your tax return, whichever is later. For example, if you filed your 2009 tax return on February 1, 2010, you should have kept the return and supporting documents until at least April 15, 2013.

So why three years?

The three year time period is tied to the IRS statute of limitations. Under the statute of limitations, if you do not file a claim for a refund that you are entitled to, you generally have the later of three years from the date you filed the original return or two years from the date you paid the tax, to file the claim. Likewise, the IRS generally has only three years from the filing date or due date of the return (whichever is later) to assess an additional tax if you did not accurately report your income.

Are there any exceptions to the three year rule?

In some cases, you may need to hang onto your records longer than three years. For instance, you should plan on keeping tax forms for retirement accounts such

(Continued on page 2)

GOOD TO KNOW

IRS Crackdown

The IRS is stepping up its monitoring of IRA contributions and minimum withdrawals. It will check if those who are 70½ or older, and those who have inherited IRAs, are taking their required minimum distributions. The agency also will analyze Form 5498 for excess contributions.

Do You Know Someone With a Special Needs Child?

You may worry about how you'll pay for your child's education. Just imagine the worries of parents of children with special needs.

- How will they pay for the special care the child needs now?
- Who will pay the child's expenses once he or she becomes an adult?
- Where will the child live and who will oversee his or her care after the parents are gone?

These daunting questions create a lot of anxiety. But there are steps that can be taken to plan for a child's future. If you know of someone in this situation, refer them to us. We focus on creating long-term plans that will ensure that the child with special needs is financially protected.

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Estate Planning | Elder Law | Special Needs | Probate

It's Time. Plan Today for Your Tomorrow.

Meet Joanne Foss, Our Geriatric Care Manager

Being a caregiver for a loved one can be an overwhelming responsibility, especially if you live a distance away or are busy with work and young children. If this dilemma sounds familiar, you'll be relieved to know that you can reduce your stress by working with a care manager.

Why hire a care manager?

There are many reasons why you could benefit from working with a geriatric care manager. Your primary reason may be that you need help facilitating your desire to have your loved one cared for at home, instead of moving to an assisted living, nursing facility or other institution.

What is a geriatric care manager?

A geriatric care manager is a health and human services specialist who focuses on giving a hand to families who care for older relatives, and for people with special needs. These professionals often train in other fields such as nursing, gerontology, social work, psychology and even finances.

What purpose does a care manager serve?

Geriatric care managers can provide you a number of services including referrals for community based care, development of individual care plans, recommendation for and arrangement of home care services, and home safety assessments, among other services. They can be hired for a single task, such as arranging a particular service, or they can take on a long term responsibility. For example, a geriatric care manager can oversee the caregiving process for a long-distance caregiver.

Here are some other reasons to consider:

- **You are unfamiliar with elder care and need help**
- **You do not live close and need someone you can count on**
- **Your other responsibilities make it hard to provide the level of care necessary for your loved one**
- **The issues you or your family are dealing with have become complicated and difficult to manage**
- **There is family dissonance and you would benefit from unbiased intermediary**

Geriatric care focuses on a client's well-being and safety, not on financial concerns. One goal is to make certain that our elderly clients and clients with special needs who live at home, are in an environment that is safe for them and that does not pose any physical obstacles. Joanne, our Geriatric Care Manager, frequently makes home visits and recommendations with this goal in mind.

Store or Shred

(Continued from page 1)

as IRAs until seven years after the account is completely wiped out. If you file a claim for a loss of worthless securities or bad debt deduction, you must keep records for seven years. Additionally, if you amortize, depreciate, or buy or sell property, you should keep property records until the statute of limitations expires for the year in which you dispose of the property. Remember, property isn't just land or buildings; it includes stock, office equipment and other assets.

It's also important to note that in some cases the statute of limitations is longer than three years. For instance, if you omit more than 25% of your gross income from your return, the IRS has six years instead of three to assess an additional tax. Also, if you file a fraudulent return or don't file one at all (we don't recommend either!), the statute of limitations never expires. So this means celebrities like Wesley Snipes and Lauryn Hill (both convicted of tax evasion) should plan on keeping their tax records forever!

What about when it is time to get rid of my tax documents?

Before getting too excited and throwing your old returns away, check to make sure you do not need to keep it for other purposes. For instance, certain creditors and even some insurance companies may require you to keep records longer than the IRS does. If you do decide to get rid of tax documents, make sure to shred them. Tax returns contain sensitive information that identity thieves love.

If I want to keep them, what is the best way to store my docs?

The best way to store hard copies of tax documents is in a fireproof safe. Along with your tax records you can keep other important documents like the deed to your house, mortgage and insurance information, your Will or Trust documents, and passwords to bank and brokerage accounts. It's also a good idea to tell one other person where you keep the key to the safe. This way, if an emergency arises, that individual will know how to access any documents he or she may need to keep your affairs in order.

Finally, if you plan on keeping your records for a long time but also don't want your home to look like an episode of "Hoarders," consider scanning your documents and keeping a backup of the files on a cloud service like Dropbox. The IRS accepts digital copies of documents as long as they are legible. This method takes up far less space and is easier to organize than a stack of papers.

(Anna Sandall – Tax Institute)

Staying Eligible for Medicaid after the Death of a Spouse

When one member of a couple moves to a nursing home, we expect that spouse will be the first to die, but this isn't always the case. What happens if a Medicaid recipient's spouse dies first? If planning steps aren't taken, the death of a spouse can affect the nursing home resident's assets and eligibility for Medicaid.

In order to be eligible for Medicaid benefits a nursing home resident may have no more than $1,600 in assets (the amount may be somewhat higher in some states). The Medicaid applicant's spouse (called the "community spouse") can keep more assets. In general, the community spouse may keep one-half of the couple's total "countable" assets up to a maximum of $117,240 (in 2014). Often when one spouse seeks to qualify for Medicaid, he or she transfers assets to the community spouse.

The death of a Medicaid recipient's spouse can affect the amount of assets the Medicaid recipient has, and therefore his Medicaid eligibility. For example, suppose a community spouse dies, and her will leaves her estate to her husband, who is in a nursing home and receiving Medicaid. The additional assets will make the husband ineligible for Medicaid. Even if the community spouse's Will did not leave anything to her husband, most states allow a spouse to claim a share of the estate. Medicaid can assess a penalty even if the husband does not claim his share.

The couple's house can also become a problem. Most spouses own property jointly. If the community spouse dies, the Medicaid recipient will own the house. Depending on the state, the nursing home resident may have to prove either an intention to return home or a likelihood of returning home in order for the house not to count as an asset. If the resident sells the house, the proceeds from the sale will make the resident ineligible for Medicaid.

To prevent a community spouse's death from affecting the institutionalized spouse's Medicaid eligibility, it is important that the community spouse update his or her estate plan. There are steps the community spouse can take to protect the spouse in the nursing home, including setting up a trust. *(ElderLawAnswers)*

To find out the plan that would work best for you, give us a call.

DON'T MISS THESE . . .

We're pleased you're finding our blog posts so helpful. Here's a list of this month's most popular posts. Take a look at these and others at www.ConnecticutEstatePlanningAttorneysBlog.com

1) Beware of Medicaid Asset Transfers: You Could Find Yourself in Court
2) A Good Reason NOT to Sign a Nursing Home Agreement for a Loved One While You're at the Nursing Home
3) How to Stay Out of the Nursing Home (and Get All the Care You Need in Your Own Home)
4) Bad News for Potential Recipients of Nursing Home Medicare Benefits
5) How to Transfer a Car After a Death
6) Do-it-Yourself Wills: Don't Risk It!
7) How to Avoid Probate and Make Sure Your Kids Get What You Leave Them

WELLNESS CORNER

9 Tips for Caregivers

1. Put your own self-care at the top of your priority list
2. Ask for and accept the help you need
3. Research and apply for assistance from available services
4. Keep up with your own work and responsibilities
5. As much as possible, involve your loved one in the decision making process
6. Do not feel guilty when away or attending to your own life
7. Do something fun every day
8. Know your limits
9. Count your blessings and find gratitude

Q&A

We invite you to submit your questions to us at plantoday@ctseniorlaw.com.

Q A friend of mine told me that I had to stay in my job until age 70 in order to accumulate four years of delayed retirement credits to boost my Social Security benefit. Is that true?

A No. There is no relationship between the age you leave the workforce and the age you can start claiming benefits. You can retire from your job at any time, say 60, and start your Social Security benefits between 62 and 70. If you claim at 62, your benefit will be reduced by 25% from what it would be if you claimed at your full retirement age, which is likely to be 66 in your case. For each year you delay beyond your full retirement age until age 70, you will rack up an 8% delayed retirement credit, that is, your benefits increase 8% per year.

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CzepigaDalyPope is a law firm dedicated to preserving your well-being as well as your assets. In addition to offering estate and tax planning, elder law, estate administration, probate and special needs trust services, we also help you with healthcare-related decisions, advocacy services, housing matters, insurance and elder law litigation.

Attend Our Adult Ed Classes . . .

	My Neighbor has a Living Trust, Should I?	Strategies to Prevent You from Going Broke in a Nursing Home
Simsbury	March 4	April 8
Meriden	February 27	March 6
Farmington /West Hartford	March 12	April 16
Vernon	April 2, 28	March 19, April 7
Wethersfield	March 31	March 26
Berlin	March 19	April 9
Southington	April 24	April 10
Manchester Community College	April 24	May 1

(Call the sponsor town to register for these classes)

OTHER UPCOMING TOPICS OF INTEREST . . .

Financial Readiness to Retirement and Beyond
February 10, McClean Assisted Living, Simsbury

Do You Need an Elder Law Attorney? February 27, Kimberly Hall, Windsor

Younger Onset Alzheimer's Disease: Legal and Financial Planning
March 26, Crown Plaza, Cromwell

Is Your House in Order? Estate Planning Documents You Should Have
April 24, Southington Calendar House

Smart Planner
Feb/Mar 2014
Special Insert For Legal, Financial and Healthcare Professionals

IRS Issues Long-Term Care Premium Deductibility Limits for 2014

The Internal Revenue Service (IRS) is increasing the amount taxpayers can deduct from their 2014 taxes as a result of buying long-term care insurance.

Premiums for "qualified" long-term care insurance policies (see explanation below) are tax deductible to the extent that they, along with other unreimbursed medical expenses (including Medicare premiums), exceed 10% of the insured's adjusted gross income, or 7.5 % for taxpayers 65 and older (through 2016).

These premiums — what the policyholder pays the insurance company to keep the policy in force — are deductible for the taxpayer, his or her spouse and other dependents. (If you are self-employed, the tax-deductibility rules are a little different: You can take the amount of the premium as a deduction as long as you made a net profit; your medical expenses do not have to exceed a certain percentage of your income.)

However, there is a limit on how large a premium can be deducted, depending on the age of the taxpayer at the end of the year. Following are the deductibility limits for 2014. Any premium amounts for the year above these limits are not considered to be a medical expense.

Attained age before the close of the taxable year	Maximum deduction for year
40 or less	$370
More than 40 but not more than 50	$700
More than 50 but not more than 60	$1,400
More than 60 but not more than 70	$3,720
More than 70	$4,660

Another change announced by the IRS involves benefits from per diem or indemnity policies, which pay a predetermined amount each day. These benefits are not included in income except amounts that exceed the beneficiary's total qualified long-term care expenses or $330 per day (for 2014), whichever is greater. (The 2013 limit was $320.)

What Is a "Qualified" Policy?

To be "qualified," policies issued on or after January 1, 1997, must adhere to certain requirements, among them that the policy must offer the consumer the options of "inflation" and "nonforfeiture" protection, although the consumer can choose not to purchase these features. Policies purchased before January 1, 1997, will be grandfathered and treated as "qualified" as long as they have been approved by the insurance commissioner of the state in which they are sold.

ATTENTION CPAs:

As you dig into this year's flurry of tax returns, we want you to know that you can use us as a resource. We'd be happy to help you and your clients address elder law, Medicaid and estate planning issues and clarify how the new laws will affect their plans.

Also, if you represent elderly clients and clients with disabilities, we encourage you to tap into our specific expertise regarding the host of complicated federal and state law issues. Ask us your questions or refer your client to us. The stakes are high for these potentially vulnerable clients and we can help to make sure they're protected properly.

Save yourself some time, call us. For years accountants like you have been using us as their source for elder law and estate planning matters. We look forward to giving you a hand.

IRS Now Allows Caregiver Parents to Exclude Medicaid Waiver Payments from Income

The Internal Revenue Service has reversed a long-standing policy and agreed to allow parents of people with disabilities who receive Medicaid waiver funds in return for caregiving services provided to their children to exclude those funds from their incomes as "difficulty of care" payments under 26 U.S.C. § 131.

26 U.S.C. § 131 allows foster parents to exclude "qualified foster care payments" from state agencies from their incomes, and foster parents of children with disabilities can also exclude so-called "difficulty of care" payments, which are funds provided to foster parents for the additional care provided to a child with disabilities. However, the IRS has long fought biological parents who seek to exclude income they receive for caring for their children because, in the IRS's view, biological parents can never be "foster" parents.

A new revenue notice, Notice 2014-7, changes this. Echoing claims that advocates have made for years, the notice explains that "Section 131 does not explicitly address whether payments under Medicaid waiver programs are qualified foster care payments. Medicaid waiver programs and state foster care programs, however, share similar oversight and purposes. The purpose of Medicaid waiver programs and the legislative history of § 131 reflect the fact that home care programs prevent the institutionalization of individuals with physical, mental, or emotional handicaps. The programs share the objective of enabling individuals who otherwise would be institutionalized to live in a family home setting rather than in an institution, and both difficulty of care payments and Medicaid waiver payments compensate for the additional care required."

Because the IRS has finally recognized the objective behind Medicaid waiver payments, beginning on January 3, 2014, the IRS will allow parents of children with disabilities to exclude qualified Medicaid waiver payments from income under § 131. It is unclear from the notice if parents who have not previously excluded Medicaid waiver income may amend previous tax returns to do so.

(ElderLawAnswers)

UPCOMING EVENTS

Sharon L. Pope featured speaker at Academy of Special Needs Planners National Meeting

Date: March 27-28

Location: Denver, CO

Topic: Building and Maintaining a Special Needs Practice

CT Bar Association

Elder Law Section:

February 18 – New Transfer Statute
February 28 – Medicaid and Trusts (full day seminar)

Paralegals Section:

April 9 – Paralegal's Role in Estate Planning and Elder Law

National Business Institute

February 13
Elder Law & Medicaid Planning
Ramada Plaza, Hartford

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