

# Planning Points

The Karp Law Firm, P.A.

2007 Annual Newsletter

## Mr. Karp's Message



The midterm election has dramatically changed the political landscape. With Democrats controlling Congress, social security privatization probably won't go forward. It appears the estate tax won't be permanently repealed, and the exemption is likely to be raised to \$3.5-\$4 million. Because nothing is definite, you'll still need to keep your ear to the ground so you can modify your estate plan if necessary.

Clients will find their breakfast invitation inside. To accommodate our growing client base, the Palm Beach County event has moved to a larger venue, and will be held Saturday, so our working clients can attend. Our firm's growth is due to your continued confidence and referrals, and we thank you! I hope 2007 is a good year for you and yours, and brings us all a safer, more peaceful world.

Warm regards,

### THE KARP LAW FIRM, P.A.

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## IRA Trust: Pension for the Pensionless Generation

Joseph S. Karp, Certified Elder Law Attorney

Pensions have gone the way of rotary phones and the Model T, and Social Security is no longer so secure. Little wonder many clients express concern about their adult children's financial future, even if the children are hardworking and fiscally responsible.

If you have significant funds in your IRA that will likely remain untapped during your lifetime, you can allay your fears by turning your IRA into a pension for your kids. In full compliance with IRA rules, our office can help you structure a trust for your IRA that will provide a steady income stream to your children upon your death. Of course, you can still leave whatever you wish in a lump sum. But by regulating the disbursement of the IRA, you can create a steady, reliable income for your children -- effectively, a pension for the pensionless generation.

Another way to help secure your children's and grandchildren's financial future is with a Heritage Trust. Properly structured, a Heritage Trust re-titles your trust assets into your child's trust upon your death. The child then has complete access to the income and principal. Any money remaining at the time of his death goes into trust for his children. The money is also protected from your child's spouse in the event of his divorce.

If either of these estate planning instruments seems suitable for your financial and family situation, contact our office.

*Here's something to think about: How come you never see a line like 'Psychic Wins Lottery'?*

*-Jay Leno*

## Your Significant Other

For various reasons, more and more committed couples are living together without benefit of legal union. Without the legal rights married couples automatically enjoy, such couples face special challenges to protecting their own and their significant other's interests. If this is your situation, it's vital that you review the beneficiaries of your retirement accounts, stock options, life insurance and other assets. If you want your loved one to make your medical decisions if you become incapacitated, you will need to designate him/her in a power of attorney for health care. Without this document, the State of Florida will determine who decides. Contact us to explore your options.

## Your Ethical Will

Most of us want to leave something to our heirs, but our most important legacy is generally not money. If you're a prince or a pauper, you can leave a piece of yourself to your loved ones in the form of an ethical will. This is an informal document whose format and subject matter are entirely up to you. It can include reflections, family history, personal lessons -- anything you wish to transmit across the generations. Creating an ethical will doesn't require a lawyer or writing skills worthy of a Pulitzer -- just a little soul searching, and pen and paper. Keep it with your other estate planning documents. It could well be the most valuable document you leave behind.



## If Dementia Strikes

Attorney Rachel G. Zetouni

Life is full of uncertain twists and turns. For someone diagnosed with dementia, the only certainty is that mental capacity will diminish with time; how fast and to what degree cannot be predicted. Therefore, any estate planning documents that exist at the time of diagnosis should be re-examined without delay and updated as needed. Anyone who has appointed the person to a position of responsibility should revisit his/her own estate plan, and anyone who has left money to the person should reconsider how much is being left, and who should be in charge of the funds. It's also vitally important to analyze whether the patient has sufficient assets or long-term insurance to pay for long-term care, or whether Medicaid planning should commence in order to protect assets if a nursing home or assisted living facility becomes necessary. This planning should be put into place as soon as possible, since once the person's capacity has diminished to the point of incompetence, it may be impossible to do such planning.



Rebecca Maglio,  
C.P.A.

## Tax Help Available

Rebecca Maglio, CPA, is available to assist you with your income tax returns. You do not need to be a client to use our accounting services. If you'd like to schedule an appointment with Ms. Maglio, please phone our office.

*Sometimes I wonder if the world is being run by smart people who are putting us on, or by imbeciles who really mean it. -Mark Twain*

# The Reverse Mortgage: Have Your Cake -- And Eat It

Joseph S. Karp, Certified Elder Law Attorney

If you're like most Americans, your home may well be your most valuable asset. The reverse mortgage-- basically a loan against your home's equity that is repaid when the home is sold--has been around for years. Now, thanks to changes in their structure and in the law, the reverse mortgage has become increasingly useful and can provide solutions to several legal and financial challenges. For example, the money from a reverse mortgage can be used to purchase long-term insurance. Insurance is the ideal protection against being wiped out by long-term care costs, whether you receive services at home or in a nursing home, but it is expensive and unaffordable for many clients. A reverse mortgage can put a policy in your pocket, provided you're healthy enough to qualify for a policy. Even if you can't qualify, you can still use the money to pay for in-home care and to enhance your quality of life, without having to pay back a penny until your home is sold or you no longer live there.

Reverse mortgages also present new opportunity in light of the Deficit Reduction Act of 2006, which limits some Medicaid recipients to \$500,000 in home equity. If this is your situation, a reverse mortgage may allow you to qualify for benefits.

If you plan to leave your home to your children, remember most heirs sell the home. A reverse mortgage can convert your home equity into cash your children can use while you're alive, so you can enjoy seeing them put it to good use. To discuss if a reverse mortgage is right for you, call Steve Levine at Karp Financial Services, 561-626-1130 or 877-319-1130.

*The hiring of an attorney is an important decision that should not be based solely on advertising. Before you decide, ask us to send you free written information about our qualifications and experience. This newsletter contains general information. To determine the best options for your particular circumstances, consult with us.*

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# Karp Law Firm, Hospice, PBCC Partner Event

The Karp Law Firm, Hospice of Palm Beach County and Palm Beach Community College sponsored a public workshop entitled *From Cruzan to Schiavo: What Have We Learned?* Nov. 28 at the Duncan Theater in Lake Worth. An expert panel including Attorney Karp, Attorney William Colby, national expert on end-of-life issues and author of *Long Goodbye: The Deaths of Nancy Cruzan*, and other professionals discussed the legal, ethical, and medical issues associated with this timely and sensitive topic.



Panelists (l-r): Pastor Phil Kittle; Maria Teahan, ACSW; Cory Gaylord, DNSC; William Colby; Dr. Gail Cooney; Mr. Karp; Rabbi Anthony Fratello.

In other firm news:

**Attorney Joseph Karp** was elected to the National Academy of Elder Law Attorneys Council of Advanced Practitioners, open to board-certified lawyers who have made significant contributions in the field. *Law & Politics Magazine* named Mr. Karp a 2006 “Super Lawyer” based on professional achievement and superlative peer ratings. Mr. Karp authored a section of *The Advisor’s Guide to Medicaid Planning*, published by the American Institute of Certified Public Accountants and distributed nationwide.

**Attorneys’ 2006 Speaking Engagements** included The Planned Giving Council, Alzheimer’s Support Group at the Boynton Beach JCC, Florida Health Care Social Workers Association, Frenchmans Creek Country Club, Eastern Airlines Retirees Association, Telephone Company Pioneers, and Women’s Club of Port St. Lucie. **To request a speaker for your group, please call our office and ask for Debbie Karp.**

**Race for the Cure:** The Karp Law Firm is raising money for breast cancer research and will again participate in the Race for the Cure, to be held January 2007 in West Palm Beach. Thanks to paralegal **Laura Ahlers**, Team Captain.

**Dress for Success:** Our firm donated clothing to this nonprofit organization, which provides business attire to women entering the workforce. Thanks to **Attorney Adele Small Harris** for organizing the project.

**Palm Beach County Chapter Association of Legal Administrators: Audrey Yeager**, Firm Administrator and Immediate Past President of PBCCALA, participated in the organization’s 2006 Community Challenge event which raised funds for Adopt-a-Family. Ms. Yeager also spearheaded The Karp Law Firm’s contributions to the Salvation Army Angel Tree program benefitting local children.

**Busch Wildlife Sanctuary:** The Karp Law Firm donated a much-needed printer and fax machine to this facility, a refuge for injured wild animals in Jupiter, Florida.

*The simplest toy, one even a child can operate, is called a grandparent. -Sam Levenson*



# Your Home's Ownership: Many Choices

Attorney Genny Bernstein

**O**ur clients often ask about the best way to transfer their home to their children. There is no one-size-fits-all answer. Several methods exist, each with its own legal, financial, and even psychological pros and cons:

## **Title your home jointly with your children with rights of survivorship.**

**Pro:** Your children automatically inherit the home when you die.

**Con:** You will need your children's consent if you wish to sell the house, and you will be entitled to half or less of the proceeds, depending on the percentage you and your children own, respectively.

**Con:** For Medicaid purposes, it may be deemed a gift and create a period of ineligibility.

## **Deed your home to your children, reserving a life estate for yourself.**

**Pro:** Your children own the home when you die.

**Con:** You will need your children's consent if you wish to sell the house and you will be entitled to a minor percentage of the proceeds, based upon the value of your life estate.

**Con:** For Medicaid purposes, it may be deemed a gift and create a period of ineligibility.

## **Place the house in an enhanced deed (also known as a "ladybird" deed), retaining the home for the rest of your life, with full rights to sell it or give it away while you're alive.**

**Pro:** At your death, the children automatically inherit the home.

**Con:** Some lenders and title insurance companies are uncomfortable with this arrangement, which may make it difficult to sell or refinance.

## **Place the house in a revocable living trust.**

**Pro:** You retain full control of the property during your lifetime, and pass it to the children after you die.

**Con:** Refinancing your home can be difficult.

## **Gift your house outright to your children.**

**Pro:** You may derive satisfaction in knowing you've given your children the home with no strings attached.

**Con:** You lose control and your children can do whatever they wish with the house, including sell it, without your consent.

**Con:** You lose your homestead exemption.

**Con:** If your children sell the house while you're alive, they will pay capital gains tax even though you would have otherwise been entitled to a \$250,000 capital gains exclusion for the sale of your primary residence.

**Con:** If your children sell the house after you die, they will lose the step-up in basis. i.e., they will have to pay capital gains tax based upon your original purchase price.

**Con:** If you ever apply for Medicaid benefits, you may face a period of ineligibility since the transfer of the house will be considered a gift.

## **Do nothing.**

**Pro:** The house will pass to your children when it goes through the probate court system.

**Con:** Involvement in the court system can be time consuming and expensive.

I would be glad to discuss these options with you in light of your overall estate plan, and help you decide which method is best for your particular situation. Please call our office.

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*Dogs come when they're called. Cats take a message and get back to you later. -Mary Bly*



## Talk to Your Heirs

Attorney Adele Small Harris

It's important to communicate to your family that you have your financial house in order. You can dramatically smooth the passing of your assets by discussing your estate plan in advance with your heirs. Doing so will give you greater confidence that your wishes will be carried out. You'll also have peace of mind knowing that by making your intentions clear to your beneficiaries, you're helping to prevent the squabbles over inheritances that rip apart many families. The more time you have to discuss these vital matters – *before* a crisis occurs in your life -- the better the chance that potential problems can be resolved.

To be sure your loved ones never have to face the conflict experienced by the Schiavo family, you should have a health care power of attorney indicating who you wish to make your medical decisions if you cannot. In addition to advance directives, let your family know verbally of your wishes, your feelings about treatments, and how you feel about death and dying. If you have already chosen a guardian for yourself, a health care power of attorney and someone to manage your financial affairs, you need to tell your family about those choices. Sometimes, this is not a family member but a close friend or trusted confidante. Mr. Karp, who is an Accredited Investment Fiduciary®, has been named as a personal representative and trustee by many clients, whose families are aware that he will be serving in that capacity when the time comes.

*Money won't make you happy, but everyone wants to find out for themselves. -Zig Ziglar*

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### HIPAA Reminder

The Health Insurance Portability and Accountability Act prevents disclosure of your health information to all except those you've designated, in writing, as your personal representatives for HIPAA purposes. HIPAA authorization allows these individuals to obtain limited health information about you under circumstances you desire. Contact our office for more information.

### Visit Our Website

Please visit our website, [www.karplaw.com](http://www.karplaw.com). This is an important source of information for our clients. We have a section advising you of any changes in the law, so be sure to check back periodically. It also features a commentary section, *Attorney's View*; a schedule of upcoming Senior Survival Workshops; and the latest on firm activities.

### Footprints for the Future

The Karp Law Firm was Presenting Sponsor for Memory Walks 2006, which raised funds for Alzheimer's research and support services for patients and families. Our team also had fun participating in the walks. Won't you join us for the 2007 walks? They are scheduled for Saturday, March 24 in West Palm Beach and Saturday, March 31 in Stuart. To participate, call the Alzheimer's Association of Southeast Florida at 800-861-7826, or visit [www.memorywalks.com](http://www.memorywalks.com).



The Karp Law Firm Team at the 2006 West Palm Beach Memory Walk