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Inside

Get Out of the (Haunted) House

With These 3 Outdoor Halloween Attractions

Halloween is just around the corner. You'll soon have trick-or-treaters approaching your door requesting a healthy share of candy. Before then, you may want to go out and feel the thrills of the season yourself, but maybe you're someone who doesn't enjoy the cramped spaces of haunted houses. You don't have to step indoors to experience a spooky attraction, though. There are plenty of outdoor Halloween attractions to check out, and here are three of the most thrilling.

Zombie Paintball

We've all watched a scary movie and thought we could do better than some of the characters in these extreme situations. Now is your chance to prove it. There are zombie paintball courses throughout the country, and they can be a great time for everyone involved. You'll step aboard a bus or trailer outfitted with paintball guns and proceed along a course full of zombies and creatures. Before long, your friends and family will get into the competitive spirit to see who can hit the most targets.

Haunted Corn Maze

Haunted houses are great if you're trying to experience some jump scares. But if you want to get the haunted house experience in an outdoor setting, you should check out a haunted corn maze. You'll hear screams coming from all around to help amp up the fear. It's also a great way to get some exercise!

Haunted Hayride

So, what if you want the best of both worlds? You may want to feel scared without walking through a maze or using a paintball gun. That's where haunted hayrides come in. On a haunted hayride, you'll hop aboard a platform that's being towed by a tractor or truck as they take you through a dark forest and possibly some barns. Performers will be woven throughout to provide scares at the perfect moments. It's a great way to get the classic Halloween experience without having to walk through a house or maze.

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Piece Of Mind

In order for you to have peace of mind, we are giving you our piece of mind.

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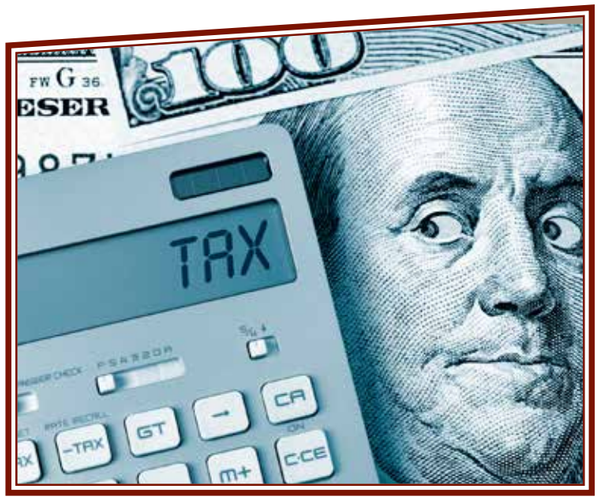
Lions, Tigers, and Taxes, Oh My!

Your Guide to 5 Important Tax Terms



If you only hang on to one Preston Estate Planning newsletter, make it this one! In this article, I will demystify a confusing and often frustrating topic: taxes. If you've ever wondered about the difference between a gift tax and an estate tax or struggled to understand how "Portability" works, this guide is for you. Hang it on your fridge or tuck it into your desk drawer so you can reference it as needed. Without further ado, let's get started!

The Capital Gains Tax

I sometimes refer to the capital gains tax as "the growth tax" because it only kicks in when you sell an asset that has grown in value. For example, imagine you own an income property. You purchased it for $200,000, and years later, it is worth $400,000. Now, you want to sell it. If you do, you will have to pay a capital gains tax on the growth in value (in this case, $200,000).

That is the simplest scenario. Things get more complicated when the person who owns the asset passes away before they sell it. In that case, the purchase price (also called the basis) "steps up" to the late owner's "date of death value." That means the person who inherits the asset does not have to pay capital gains on the appreciation that occurred during the original owner's lifetime — only the appreciation that occurred during *their* lifetime.

To go back to our example, imagine you passed away before selling the house. You paid $200,000 for it, but because it was worth $400,000 when you passed, the basis steps up to $400,000. If your children inherit the home with this new basis and sell it when it's worth $500,000, they will only have to pay capital gains tax on the $100,000 of appreciation that happened after your death.

The state of California takes this one step further. Because California is a Community Property State, if one spouse dies, not only will the assets in the deceased spouse's estate get a step up in basis, but the surviving spouse's estate will also get a step up. When the second spouse dies, that can trigger another step up in basis. However, it will *also* expose the assets to the Federal Estate Tax (more on that later). If we drafted your Trust, your Trustee will have the option, at the first spouse's death to choose whether it makes sense to get a second step up in basis or to avoid exposure to the estate tax. When the time comes, our office will assist the Trustee in making this decision.

The Gift Tax

The Gift Tax is a tax you *may* have to pay when gifting something of monetary value (cash, securities, real property, etc.) to someone during your life. However, this tax only applies under very specific circumstances.

If you give a gift worth $16,000 or less to one person in a given year, you do not have to file a Gift Tax return or pay a gift tax.

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... continued from Cover

If you give a gift worth more than $16,000 to one person in a given year, you DO have to file a Gift Tax return. However, you may NOT have to pay the Gift Tax. Instead, the amount you have gifted, in excess of $16,000, will be subtracted from your Lifetime Gift Tax exclusion, the amount of which is currently the same as the Federal Estate Tax exemption. Currently, the exemption is $12.06 million, but this amount changes every year.

So, when do you have to pay the gift tax? If the total gifts given to one person in a given year exceed your Lifetime Gift Tax exclusion for that year, you have to file a Gift Tax return AND pay a gift tax.

Regardless of the amount of the gift, the recipient has no tax consequences whatsoever. The gift is a tax-free event for the recipient.

There are four primary exceptions to these rules: any gift to a spouse, a gift to a charity, funds used to pay for another person's medical expenses, or funds used to pay for a student's tuition are not subject to the gift tax rules.

One word of caution: When you gift an asset that has appreciated in value, the recipient will receive your basis. Gifts do not receive a step up in basis.

The Federal Estate Tax

The Federal Estate Tax is a 40% tax on the assets in your estate when you die. However, it doesn't kick in until your assets exceed the allowable exemption in the year that you die. Currently, the exemption amount is $12.06 million. Unfortunately, this amount changes every year. So, by way of example, if a person dies this year, there will be a Federal Estate Tax equal to 40% on any amounts in excess of $12.06 million. There are two exceptions to this rule: assets left to charity and assets left to your spouse are not subject to the Federal Estate Tax.

Portability

Since 2010, spouses have had a special estate planning option called "Portability." Under this law, if one spouse dies without using their Federal Estate Tax exemption, the remaining spouse can choose to use portability to claim the amount of their exemption. This is also called the deceased spousal unused exclusion, or DSUE. This is a great tool to use if a spouse passes when the Federal Estate Tax exemption is not needed and represents a large number. Many families whose spouse passed away this year have filed the Portability election, preserving the $12.06 million exemption for future use when the exemption may not be as high.

For example,
imagine you die this year
and your $12.06 million exemption is not needed
and not used. And let's pretend next year, the exemption amount is lowered to $3 million. Your spouse can file the Portability election to take your exemption and combine it with theirs for a total exemption amount of $15.06 million. Depending on the size of the estate, the remaining spouse has between nine months and five years from the date of the late spouse's death to file a portability claim.

The Property Tax

A Property Tax is a tax on real property based on that property's assessed value. This tax can change when you pass away and your property transfers to your heirs. Obviously, the goal is to avoid the property from being reassessed. This is important because a reassessment based on current market values could dramatically increase the Property Taxes.

In California, your property does NOT need to be reassessed if 1) it was your personal residence, 2) your child moves in and makes it their personal residence within one year, and 3) the property has a market value less than or equal to "the current assessed value plus $1 million." If the property does not meet one of the first two criteria, the property will be reassessed. If it does not meet the third criterion, *only* the amount exceeding "the current assessed value plus $1 million" will be reassessed.

By the way, obtaining an appraisal to establish a new basis for capital gains purposes (see the Capital Gains Tax section on Page 1) has absolutely nothing to do with triggering a reassessment for Property Tax purposes.

There you have it — that was "John Preston's Guide to Everything You Didn't Want to Know About Taxes." I hope you learned a few things! If you were already a tax expert and knew all of this, consider passing the guide on to someone in your life who is less adept at finances. Perhaps your children, a sibling, or a friend could benefit from reading it. If you would like extra copies to share, let us know.

All the best,

–John Preston

WARNING:
USE CAUTION WHEN ADDING PEOPLE TO YOUR BANK ACCOUNT!

Consider A Silent Partner Co-Trustee

No matter how tempting it may seem, you can't afford to fall into the trap of adding your children or anyone else — except your Co-Trustee! — to your bank accounts. If you are single and have a "Silent Partner Co-Trustee," your bank accounts should be registered in the name of your Trust, and that includes naming the Co-Trustee on the title.

However, if, against our advice, you do not have a Silent Partner Co-Trustee or you have decided not to put your bank account in the name of your Trust, please do not add a non-Trustee to your bank account! The purpose of naming a Silent Partner Co-Trustee in your Trust and adding that person's name to your bank account as a Trustee is to give your Co-Trustee access without giving the Co-Trustee's creditors and predators access to your accounts.

This is a big problem, and it is perpetuated by banks and peers. With all due respect to banks, they do not give legal advice. So, when you asked them to add someone to your bank account, they accommodate your request. They are not expressing an opinion on whether this is a good idea, they are simply doing what you asked. When the IRS tells the bank to freeze the account due to unpaid income taxes by the person you added to the account, the bank will accommodate them also.

On the other side, peers freely dispense legal advice. They will tell you that you that they have added all of their children to their bank account, and there hasn't been a problem … yet (I added "yet"). Your friend will not have a problem until the bank makes the funds available to the creditors of the children.

What most people don't understand is adding someone's name to a bank account that is not in the name of your Trust and consequently does not have the Co-Trustee's name on the account is considered a gift of a portion of your account. The individual added to the account doesn't have to withdraw the funds or even be aware that their name was added to the account for the transaction to be considered a gift. It is the "gift" that exposes the account to the person's creditors.

Often time we hear a person "only added this person as a signer on the account." There is no such thing as adding a "signer" to the account. This person becomes a co-owner and the gift has occurred.

Furthermore, assets passing outside the Trust will cause an unequal distribution leading to family drama and potentially litigation. There are no benefits to adding a non-Trustee to your bank account, only risks — don't do it!

Sudoku

3		5	6		2			8
			1	7			3	2
2	7				9			
6		1		8		2	9	
	3	8		2	4		6	
		9	7				2	
4	5			9	1		8	6
	6						1	9

Solution on Pg. 4

Pumpkin Pie Parfaits

Inspired by Kenarry.com

Ingredients

- 3.4 oz instant vanilla pudding mix
- 2 cups cold milk
- 15-oz can pumpkin purée
- 1/2 tsp cinnamon
- 1/4 tsp nutmeg
- 1/8 tsp ground cloves
- 1 cup vanilla sandwich cookies
- 8 oz whipped topping

Directions

1. In a large bowl, whisk together pudding mix and milk. Let sit for 5 minutes, then stir in pumpkin purée, cinnamon, nutmeg, and ground cloves.
2. In a blender or food processor, crush vanilla sandwich cookies into crumbs.
3. In small jars or glasses, place cookie crumbs on bottom, then pumpkin mixture, then whipped topping. Repeat these layers twice and end with cookie crumbs.
4. Chill until ready to serve!