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ELDER LAW ATTORNEYS, INC.

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### INSIDE THIS ISSUE

- Family Generosity and the Gift Tax
- Announcement
- Ask Allie
- Speakers
- Distribution of This Newsletter

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## FAMILY GENEROSITY AND THE GIFT TAX

A recent *New York Times* article highlighted the potential gift tax implications for baby boomers who are subsidizing parents or less fortunate siblings. Most gifts can easily fall within the donor's annual gift tax exclusion of \$12,000 in cash or other assets per donee. There is also a lifetime exemption of \$1 million (\$2 million for married couples) before a 45 percent gift tax applies.

There are several strategies that donors can use to assist family members without paying gift tax:

- Maximize use of the annual exclusion. You can do this by writing a check, but you can also put assets (including income-producing assets such as bonds or shares of a closely held company) into trusts for the benefit of the family members. You can also use Section 529 education savings plans to assist siblings burdened by the costs of their children's education.
- Pay medical and educational expenses for the family members. You do not need to use your annual exclusion to pay for these expenses, but you must pay them directly to the providers of the services. This strategy can be helpful with regard to elderly parents. You can pay for anything that the parents would be allowed to deduct on their income tax returns as an unreimbursed expense. This includes home-care attendants, medically necessary home improvements, or part of the parents' long-term care insurance premiums (up to \$3,080 for someone 61 to 70 years old, and up to \$3,850 if over 70).
- Employ family members. You can employ family members to provide such things as child care, managing real estate, or handling the books, but the compensation must be reasonable (what you would pay a stranger for the same work).

- Lend and borrow money. This requires the same formalities of a loan from a bank, but you must use the applicable federal rate. This is a minimum interest rate set by the Treasury each month. You could also borrow money from family members and pay them more interest than they could receive from money markets or bank certificates of deposit. You should probably pay what a bank in your area would charge for a comparable personal loan.
- Make a family member your dependent. You must pay at least 50% of that person's support, but this is not available if the person's gross income is more than \$3,400 per year. Required withdrawals from IRAs and 401(k)s count toward this income limit, but Social Security does not. If you are able to claim a relative as a dependent, then you can deduct the dependent's unreimbursed medical expenses above the 7.5% of adjusted gross income floor.
- Provide a safety net. If family members are depending on you for assistance, then you may want to make sure you have life insurance in place or include them in your estate plan just in case something happens to you.

### Announcement

Oast & Hook and the Episcopal Church Women (ECW) of Trinity Episcopal Church invite you to a seminar to be given by the elder law firm of Oast & Hook. This seminar will be held in the Parish Hall at Trinity Episcopal Church at 9:00 a.m., Tuesday, June 17th, and it is entitled "Estate, Long-term Care and Financial Planning." This two-hour seminar will address the many issues facing people in, or planning for, retirement, and it will cover estate, disability, insurance, and financial planning. The seminar speaker will be Oast & Hook attorney Andrew Hook. There is a \$15 registration fee, and all proceeds will be donated to the ECW's Mission and Outreach work. To register or obtain more information about this seminar, please phone Jennifer Lantz of Oast & Hook at 757-399-7506.

### Ask Allie

Kit Kat: Allie, where can we find information about health benefits?

Allie: Kit Kat, I understand the importance of health benefits. Until I was hired as Oast & Hook's assistance office manager, I did not have any health benefits. Today, I have veterinary care, including annual checkups. The elder law attorneys and financial planners at Oast & Hook incorporate health benefits into retirement and life care planning for their clients. They suggest that you visit [www.planforyourhealth.com](http://www.planforyourhealth.com). This website contains valuable information about healthcare planning, and you can order a free copy of *Navigating Your Health Benefits for Dummies*. The website is sponsored by the Financial Planning Association and Aetna. The only downer about my health benefits is that at my last check up, my vet said I needed to go on a diet. That won't stop me from trying to get

treats from the staff...I can do a pretty good Puss 'n Boots imitation...maybe they will use me in the next Shrek movie!



Please feel free to e-mail your questions to Allie at: [allie@oasthook.com](mailto:allie@oasthook.com).

### Speakers

If you are interested in having an elder law attorney from Oast & Hook speak at an event, then please call Jennifer Lantz at 757-399-7506.

### Distribution of This Newsletter

Oast & Hook encourages you to share this newsletter with anyone who is interested in issues pertaining to the elderly, the disabled and their advocates. The information in this newsletter may be copied and distributed, without charge and without permission, but with appropriate citation to Oast & Hook, P.C. If you are interested in a free subscription to the *Oast & Hook News*, then please e-mail us at [mail@oasthook.com](mailto:mail@oasthook.com), telephone us at 757-399-7506, or fax us at 757-397-1267.

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