The Law Office of Mary Anne Vance and Sheila C. Ridgway, P.S.
presents three complimentary seminars
for our clients and friends

Seminar #1: **Building Your Estate - College Savings Plans**
Thursday, October 21, 2004, 4:30 - 6:30 p.m.
(A) College Savings With 529 Plans
(B) Estate Planning Update
Learn about this unique tax-free college savings plan and get the latest information on updating your estate plan to take advantage of low costs of probate and taxes
Kristi Mathisen, C.P.A., Bader, Martin, Ross & Smith, P.S.
Allan G. Steinman, C.P.A., Bader, Martin, Ross & Smith, P.S.
Mary Anne Vance, Attorney

Seminar #2: **Preserving Your Estate - Long Term Care Insurance**
Thursday, October 28, 2004, 10:00 a.m. - Noon
How Long Term Care Insurance, Powers of Attorney, Special Needs Trusts, and Medicaid Planning can help you hold on to your estate.
Ted Markow, C.P.A., C.F.P., C.L.U., Markow Financial Group, Inc.
Mary Anne Vance, Attorney

Seminar #3: **Managing Your Estate - Trusts and Guardianship**
Wednesday, November 3, 2004, 10:00 a.m. - Noon
A panel of trust officers and guardianship professionals discuss the nuts and bolts of trust and guardianship management.
Carla Wigen, J.D., C.P.A., Vice President, Trust Officer, Washington Trust Co.
Leesa Camerota, Sr. Financial Mgr., Guardianship Services of Seattle
Mary Anne Vance, Attorney

Reservations requested by Tuesday prior to the Seminar. Please call (206) 682-2333 or e-mail catrina@vancelaw.com to reserve your place.

All seminars at Fifth Floor Conference Room, Union Bank of California Center, 900 Fourth Avenue, Seattle, Washington. Parking is available in the Union Bank of California Center Garage - $12.00 for 2-3 hours. Garage entrances are on Madison Street and Marion Street between Fourth Avenue and Fifth Avenue

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THE LAW OFFICE OF
MARY ANNE VANCE
AND
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Section 529 College Savings Plans -- Tax-Free Growth With Parental Control

The Parents
A major focus of Jon and Marsha's life is financing their children's college education. Because Tracy is 5 years old and Matt is 8, they have 10 years before writing that first tuition check -- but with the costs of private school approaching $40,000 a year, the task is daunting. Though saving for college is a priority, they know they also need to set aside funds for their own retirement. Retirement funds can grow tax-free, but Jon and Marsha are pleased to know their college savings can

The Grandparent
Marsha's mom also wants to help pay for Tracy's and Matt's college expenses. She is timid about putting money into a custodial bank account under the Uniform Transfers to Minors Act knowing the children would gain complete control over the money at the young age of 21. She wants assurance that the parents will have complete control over the spending of the money for education. Grandma considered creating a trust for the children's benefit, but she does not want to spend money on the attorneys' fees.

The Solution
The IRS has created a college savings plan that allows parents and grandparents to contribute to a child's college fund. Invest in a Section 529 College Savings Plan and you will not pay federal income tax on its growth. Special features are:

- The owner (parent) of the Plan maintains control of the asset even after the beneficiary turns 21 years old.
- The owner (parent) can change the beneficiary any time.
- Gifts to the Plan constitute a completed gift for federal gift and estate tax purposes. Grandma can reduce the size of her taxable estate by contributing.
- Gifts up to $55,000 per single donor in one taxable year are excludable from the donor's estate if the donor lives five years past the date of the gift.
- $100,000 - $250,000 is generally the maximum that can be invested in a Plan, depending on the state.

Washington State does not sponsor a 529 Plan, but has an alternative plan called the Guaranteed Education Tuition Plan "GET." By purchasing a "unit" (valued as of 9/15/04 at $61), the unit's value will increase at the same rate as the increase in Washington State college tuition.

You can buy into another state's 529 Plan and your children are not required to attend that state's schools with the money.

The Challenges of Second Marriage Estate Planning

Tom's Two Families
Kathy and Tom are happily married and have one child together, Jesse, age 8. Tom also has two children from his earlier marriage, Rebecca and Paul, who are 25 year old twins. Kathy and Tom's combined estate is $1.5 million (including home equity, pensions, cash, life insurance, etc.).

Tom and Kathy have not written a Will since they were married. Both worry because they have not named a guardian for Jesse or a trustee to manage Jesse's inheritance should they both die.

They procrastinate because they are unsure how to balance the competing concerns of (1) a surviving spouse who needs adequate assets to live 50 years, (2) a young child who needs 20 years of support and college expenses, and (3) older children of Tom's. Tom knows that if he died and left all his estate to Kathy and she remarried, Rebecca and Paul would never inherit from him. Tom knows that he has contributed 23 years to the twins' support and that Jesse has a lot of expenses yet to come.

The Issues
Tom and Kathy are not alone in their indecision. Typically, each spouse is inclined to make the surviving spouse the beneficiary of their entire estate, either by a direct gift or by creating a lifetime trust for the spouse. The current estate tax rules allow bequests to a U.S. citizen spouse to pass free of all estate tax. Tom could leave his entire estate to Kathy and there would be no estate tax. He would likely name all three children as equal contingent beneficiaries of his estate if Kathy did not survive him.

There are disadvantages to leaving the entire estate to the surviving spouse. If the property is left outright to Kathy, she could make a new Will after Tom's death and leave her estate (including the inheritance from Tom) to Jesse alone, ignoring the twins. Tom could leave his estate in trust for Kathy with the trust passing to Tom's three kids at her death. However, since Kathy could live 50 more years, Rebecca and Paul would themselves be elderly before they inherit anything from their dad. During the intervening 50 years, Kathy as stepmom, and the twins are yoked together in an uncomfortable arrangement in which each expenditure or investment made by Kathy's Trustee would be closely scrutinized by the twins.

Solutions
For the twins to receive money at his death, Tom could make a direct bequest to Rebecca and Paul in his Will so that they receive a percentage of the estate or a specific dollar amount. Or, he could name Rebecca and Paul as direct beneficiaries of a life insurance policy, joint tenancy account, or IRA, in which case they would inherit free of probate. Since an asset such as life insurance is community property, both Kathy and Tom will need to sign the change of beneficiary designation in order for the entire asset to pass to Rebecca and Paul. Whether Kathy and Jesse will have enough to live on if such gifts are made to the twins, and whether the estate tax and income tax consequences would be burdensome, must be carefully considered.

To avoid future conflicts and ensure that Rebecca and Paul inherit money but transfer the majority of the estate to Kathy, Tom should consider these suggestions:

- Leave a specific bequest to Rebecca and Paul in his Will, such as 15% of his estate ($225,000), which would leave Kathy with about $1,275,000 to maintain her lifestyle and care for Jesse; **OR**

- Leave his entire estate to Kathy and name the twins as equal beneficiaries of a $225,000 term life insurance policy (premiums are at a historic low) or his $225,000 401-K Plan. Within 30 days of claiming the funds the twins will receive $225,000 cash, free of probate, free of trust and free of their stepmother, Kathy. Kathy is the sole inheritor under Tom's Will, making the probate simple and inexpensive.

We are proud to announce that Sheila C. Ridgway has become a shareholder of the firm and that our new name is The Law Office of Mary Anne Vance and Sheila C. Ridgway, P.S. Sheila's addition as a shareholder reflects the excellent contribution she has made to the firm for the past 11 years as the manager of the litigation section.

It's Simple -- It's Important! Why Every Person Over the Age of 18 Should Sign a Durable Power of Attorney

Every day we read about someone involved in an accident or sudden illness which disables them either for a short time or permanently. Who can then make decisions for the disabled person? Luckily, each of us can sign a Durable Power of Attorney and designate the person we want to help us when we are disabled and vulnerable.

Medical Durable Power of Attorney
Under Washington law, if a person has **not** signed a durable power of attorney or does **not** have a court appointed Guardian to make decisions for him or her, the persons authorized to make medical decisions for that person, in order of priority, are as follows:

1. Patient's spouse
2. Patient's children over the age of 18
3. Patient's parents
4. Patient's adult brothers and sisters.

Partners or best friends have no priority to make health care decisions for another under Washington law. A partner of an incapacitated person has no authority to make medical decisions for the incapacitated person unless they are named as the attorney-in-fact in the Medical Durable Power of Attorney.

Financial Durable Power of Attorney
Unless you have signed a Financial Durable Power of Attorney, no one has the authority to pay your bills unless a Guardian is appointed by the Court to manage your financial affairs. Guardianships are expensive to create and manage and are a matter of public record so your personal and financial affairs can be seen by anyone who looks at your court file.

We recommend everyone over the age of 18 sign a Financial and Medical Durable Power of Attorney. attorney to make financial and medical decisions for you.

Resources for the Terminally Ill

"Physician Order for Life Sustaining Treatment"
Your physician can now use a new form to write orders that indicate what type of life-sustaining treatment you want or do not want at the end of life. The Physician Order for Life Sustaining Treatment ("POLST") form, recently introduced for physicians' use, is available from the Washington State Medical Association, (206) 441-9762, www.wsma.org (click "for our patients" for a copy of the form). The form is intended for use by any person over the age of 18 with serious health conditions.

In addition to the POLST form, you should also have a Living Will (Health Care Directive) and a Medical Durable Power of Attorney. The Living Will says that you do not want to have your life prolonged by medical intervention if you are terminally ill. The Medical Durable Power of Attorney allows you to designate another person to make medical decisions for you if you are unable to do so.

We recommend all clients sign a Living Will and Medical Durable Power of Attorney and that terminally ill clients review the POLST form with their physician.

Organizations Supporting the Terminally Ill
There are several non-profit organizations providing support to terminally ill people and their families.

- Hospice Program assists patients and their families with health care during the last months of their lives. A hospital social worker can refer you to a Hospice Program.
- Compassion in Dying of Washington (www.compassionindying.org, (206) 256-1636) advocates for better pain management, patient-directed end-of-life care and expanded choices for the terminally ill.
- End of Life Choices is a group whose goal is to assure freedom of choice at the end of life. www.endoflifechoices.org (206) 624-2158.



Your Family is Our Focus