

STATUS OF THE ESTATE TAX IS STILL UP IN THE AIR!

Two years ago, I was sure the estate tax law would be amended, simply because the current scheme is crazy! But, it's still in effect. The Senate had planned to debate the estate tax repeal following this year's summer recess, but the hurricanes in the Gulf Region changed the country's priorities in revenue reduction.

Although Congress will undoubtedly address the issue again in 2006, it's unlikely that the estate tax will be repealed permanently. Look for a dramatic growth in the estate tax credit in future years. In 2006 the estate tax credit is \$2 million and the annual gift tax exclusion amount increases to \$12,000. Gifts to charities and to a spouse who is a US Citizen continue to be free of estate and gift taxes. Please visit my website (www.zollalawfirm.com) to read a detailed discussion of the current estate tax law.

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FDIC INSURANCE AND TRUST ACCOUNTS

Due to the rise in interest rates, many of my clients have re-discovered interest-bearing investments such as certificates of deposits (CDs) and bonds. CDs are especially attractive because they are insured by the FDIC if the depositor keeps the account under \$100,000.

Do you know that you can be protected by FDIC insurance even if you hold more than \$100,000 in one bank? Single-ownership accounts, joint accounts, and trust accounts are insured separately. A depositor can hold an account singly, have a joint account with his child, and have a trust account and each will be covered by the FDIC insurance. In fact, the joint account will be covered up to \$200,000 (assuming two owners).

The limits for a trust account are based on the beneficiaries of the trust. If a beneficiary is a "qualifying beneficiary" (a spouse, child, grandchild, parent, or sibling), the beneficiary is counted for purposes of the FDIC insurance. Therefore, if a parent opens a trust account and his three children are the beneficiaries of the trust at his death, the account can be insured for up to \$300,000. If the benefi-

ary is not a "qualifying beneficiary", then the FDIC considers the account to be a single-ownership account based on the depositor.

The rules are very complicated. Your bank should be able to give you a brochure with the specifics, or you can check them out at the FDIC website (www.fdic.gov/deposit).

Keep in mind that the FDIC rules are completely separate from the rules for probate. If a person has over \$100,000 outside his living trust at his death (even if split into separate banks), those assets will likely need to go through the Court before being transferred to the trust. If you have a large trust account at a bank, I do not recommend opening up a large single-ownership account just to take advantage of the additional insurance. In that instance, you'd be better off setting up a new trust account at the bank down the block.

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CREATE A FINANCIAL "CHEAT SHEET" FOR YOUR SUCCESSOR TRUSTEE

A few weeks ago, my husband and I spent a Saturday night doing what we'd been meaning to do for a long time... we created a financial "cheat sheet" for the benefit of our Successor Trustee.

Now, mind you, my husband is an engineer, so we use Quicken religiously and have all of our bank and brokerage statements neatly organized in three-ring binders. And, because I "plan estates" for a living, we have made sure that each and every major asset is either titled in the name of our trust or lists our trust as the beneficiary. This exercise on a quiet November evening was designed to make it easier for our Successor Trustee (my mom) to take over our financial lives if we die unexpectedly.

First, we expanded on our Quicken net worth statement by adding account numbers and toll free numbers.

Next, we reviewed and listed each automatic investment and bill payment, noting which account paid each expense.

Third, we listed the names and telephone numbers of each com-

pany we use regularly, such as our son's day care and our cleaning service, because they should be told immediately of our passing.

Finally, we wrote down our usernames and passwords for every email account. Unfortunately, most internet providers shut down email accounts as soon as they are notified of a person's death. But, since we've stopped receiving many paper bills and financial statements, it is essential that someone have access to that information, at least until each company can switch back to a paper statement.

We've told my mom where this document is located, so she can find it in event of emergency. We've also safeguarded a CD-Rom of our favorite photos and our original legal documents.

I slept very well that night.

I recommend that everyone spend a few hours creating this "cheat sheet". We don't always have a heads-up on what will be our last day on earth; we might as well make it easier for those we've left behind.



A PERSONAL NOTE

I am excited to tell all of you that my husband and I are expecting a new baby in early April. We are sure our son, Aaron (19 mos.), will welcome his new sister with open arms. In order to prepare for the birth, I will not take any new clients beginning mid-February, but I will be happy to make modifications to existing estate plans and schedule signing appointments through early March (Don't procrastinate, please sign your documents as soon as you can!).

I will continue to help existing trust administration and probate clients throughout my leave, but I do not anticipate taking any new clients until June. At a minimum, I will check my email and voice mail every three days, so do not hesitate to leave me a message and I will either try to assist you or will refer you to one of my trusted colleagues who could do a great job. When I return from leave, I expect that I will go back to my current Tuesday-Thursday schedule.

Thanks to all of you for accommodating my work-life balance.

NEW WEBSITE

I am pleased to announce that I have finalized an updated version of the www.zollalawfirm.com website. My web designer, Beth Philbin, was extremely patient with me, providing me with ample ideas for layout and design.

I hope that the revised text is helpful in addressing the basic concepts of estate planning and trust and estate administration. Of course, if you have any comments or suggestions, I would appreciate hearing from you.



This Newsletter is for information and discussion purposes only. Before any action is taken, professional advice, based on your specific situation, should be obtained.