June 2022 Newsletter

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Welcome to Michelle’s first newsletter, the goal is to cover timely and relevant issues and their legal impact. If you would like a specific topic covered, please feel free to contact Michelle.

Why an Outright Distribution to Beneficiaries May Be Dangerous

When you leave behind a large inheritance, you may think it is setting up your beneficiaries for life. However, the facts suggest that a large sum of money may not last as long as you would think. According to studies, 70% of lottery winners, whether it be $1 million or $100 million, end up either losing or spending all of their winnings within five years, and one third of these winners end up declaring bankruptcy. While you may think your beneficiaries can handle the money, you never really know until it is too late. By creating a trust through proper estate planning, you can easily avoid these pitfalls.

Lets say you have complete confidence that your beneficiary can handle their inheritance outright. But what happens when third-parties try to attach themselves to their inheritance? Your beneficiary's spouse may end up taking or forcing the inheritance to be spent in a divorce. Creditors and fortune hunters may attempt to access the inheritance through your beneficiary. With their newfound wealth, your beneficiary may become the target of lawsuits, frivolous or otherwise. Even if you beneficiary can avoid these traps, without a proper estate plan, he or she may end up losing much more of the inheritance than they would have to in federal taxes.

A trust may be sufficient for ensuring your beneficiary does not blow through their entire inheritance, but may not provide sufficient protection from creditors. But through over 20 years of experience, Michelle can provide this protection through the Personal Asset TrustSM, which allows essentially the same control to the beneficiary but with the flexibility to provide as much or as little asset protection as needed to ensure the inheritance you are leaving to your beneficiary actually stays in their hands. If you have more questions about this type of trust, please contact Michelle.

Planning for the Future

S&P 500 (June 2022) - Google Finance

With the recent stock market downturn even in light of the country's continuing recovery from the COVID-19 pandemic, assets left to one beneficiary may be disproportionate in value to other assets left to another beneficiary. If your current savings may be insufficient for your lifetime with this market shift, you may wish to re-evaluate your estate plan. Call Michelle's office to arrange a meeting on this issue.

Reflections on Proposition 19

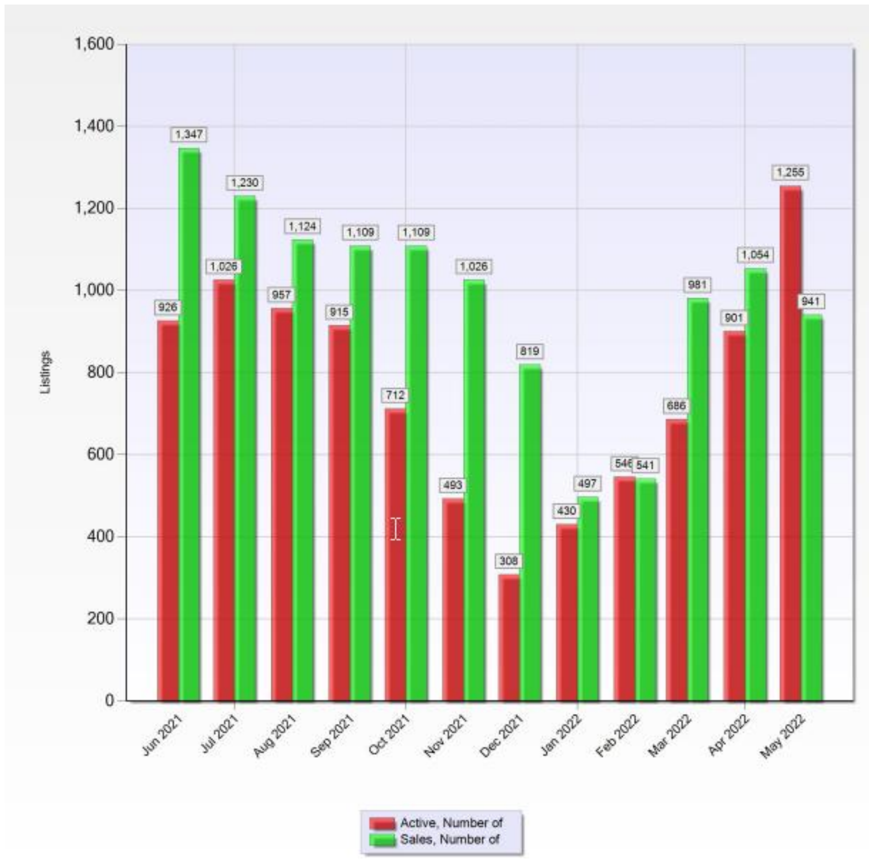
In November 2020, Proposition 19 was passed in California, which among other things resets the property tax on real estate that is not the primary residence to fair market value upon transfer of ownership. There is an exception if you transfer ownership to your child during your lifetime or upon death. However, the home must also be the child's primary residence and only up to $1,000,000.00. For most homes in the San Francisco Bay Area, this would likely result in a partial or full reassessment. If you did not already transfer your real estate to your children prior to February 15, 2021, that could be a wise move due to other taxes involved. If you are considering a transfer of real estate to your children, contact Michelle for more information.

Should I Consider an LLC for My Rental Properties?

Having rental properties under an LLC protects your own personal assets from creditors that may result from fraudulent slip-and-fall claims by unscrupulous tenants. You could place each property in a separate LLC to protect against creditors from a particular property. Having an LLC for the property also allows you to claim rental property expenses for tax purposes more easily. The only cost to having this is to pay the formation fee and an $800 annual LLC tax in California as long as the income does not surpass $25,000/year. Even if you already have rental property in your name, is it not too late to take advantage of an LLC. You can still transfer the title of your rental property to an LLC. If you would like more information and think this may be relevant to you, contact Michelle.

Is the Real Estate Market Cooling?

Santa Clara County - New Residential Property Listings vs. Sold Listings



Since most of our clients' wealth is from real estate, this is an important asset class to monitor. April continues our upward trend of property sales completed and active inventory for 2022 for single family homes in Santa Clara County. May sees a surge of homes listed, outpacing those sold in the same month.

Alongside a licensed attorney, Michelle is also a licensed real estate broker in California and has represented local and international clients. If you have questions or a topic you want to discuss, please contact our office.