



## Sugar Felsenthal Grais & Hammer LLP

### **2015 HOLIDAY GREETINGS FROM SUGAR FELSENTHAL GRAIS & HAMMER**

This holiday season, we wanted to take a moment to thank all of our clients and friends for expressing confidence in us and our work this past year. In return, we want to pass along holiday cheer in the form of some helpful year end reminders.

#### **College Records**

For those who will see their college age children this holiday season, or who anticipate sending their children to college next year, Federal education privacy rules make it difficult for you to access the health and academic records of your children. For peace of mind, you should consider having your children grant you a power of attorney for health care and a power of attorney for property, to ensure you have access to that precious information.

#### **Digital Assets**

Because so much of our records these days reside on the internet, we all have been warned to carefully secure valuable information. But what happens if you are ill or suffer an untimely death? Who will have access to those records and accounts? Who will be able to deal with financial assets contained within digital accounts, like credit card, bank and investment accounts? Who will have access to photos, emails, and social media sites? Who will be able to adjust or terminate automatic debit processes? It is important to have a plan to address these issues. It starts with maintaining a secret electronic or hard copy list of passwords. It also may entail granting an agent named in a power of attorney or an executor or trustee, after death, to have adequate authority to address these issues. Because access to these digital sites are governed by license agreements that you signed when you first subscribed, it may also be necessary to contact

those sites and determine what standards must be met to allow an agent, executor, or trustee, to preserve access to those digital sites.

#### **Trust Distributions and Income Tax**

Income earned by a trust is taxed at income tax brackets that rise much faster for trusts than for individuals. In addition, the 3.8% net investment income tax on passive income applies to a trust's passive income when the trust's income exceeds \$12,300 for the year. Good tax planning requires a close look at the wisdom of making distributions from trusts for 2015, and passing out taxable income to beneficiaries instead of retaining the taxable income in trust. If the trust beneficiary has a lower income tax bracket than the trust, it may make sense to pass the taxable income to the beneficiary. In addition, if the beneficiary's income, including the trust distribution, is less than \$250,000 (joint married), or \$200,000 (single), the extra 3.8% income tax may be saved. So a close examination of the tax effects of retaining versus distributing trust income should be made for 2015.

#### **Illinois Estate Tax Impact on Estate Plan**

Because the Illinois estate tax exemption (\$4,000,000) is less than the Federal estate tax exemption (\$5,430,000), there are various techniques to maximize the use of both exemptions and optimize income tax savings. If your estate plan has not been reviewed in four years or more, it is prudent to do so in order to adjust your plan to the new environment.

*The information contained in this e-mail is for general knowledge and is not intended as legal advice pertaining to all circumstances. Any actions contemplated, with regard to these issues, require a close examination of the pertinent facts applicable to a particular situation, before actions are implemented.*