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## More Tax Updates

*The American Taxpayer Relief Act of 2012 saved the nation from the fiscal cliff. It also had far-reaching effects for income, gift, and estate tax purposes. It's not too early to have a conversation with your CPA about how the changes in income tax law will impact you. We won't focus on income taxes here, but we do want you to be aware of the Act's impact on estates.*

**Estate Tax "Certainty."** After more than a decade of changes in the estate and gift tax exclusion, we've got certainty (for the time being)! The amount is \$5 million, indexed for inflation (\$5.12 million for those who died in 2012 and \$5.25 million for deaths in 2013). The highest estate tax rate increased to 40% on January 1, 2013, up from 35% last year. Remember that sunset of the law in place through 2012 would have meant an exemption of only \$1 million and a maximum estate tax rate of 55%. Remember also that what Congress gives can be taken back, modified, redefined, or restructured. A review of the many historical changes in the estate and gift tax laws makes us believe this "certainty" will be short-lived.

**Portability of the Estate and Gift Tax Exclusion.** The Act also made the estate tax portability election permanent. To qualify for the portability election, an estate tax return must be filed after the first spouse's death. The election allows a surviving spouse to use the portion of the exclusion amount that was not used by the deceased spouse's estate. This powerful provision of the law must be used with great care. It is technically complex and requires that the surviving spouse file documents with the IRS within 9 months of the first death. We like to discuss the impact of this provision with a surviving spouse a few months after their partner's death.

**Increase in Gift Tax Exclusion Amount.** The annual gift tax exclusion is increased to \$14,000 for 2013. This means that one individual may make gifts valued at no more than \$14,000 total, per recipient, without being required to report those gifts to the IRS. Most gifts made to trusts that currently benefit others will require the filing of a gift tax return.

A Newsletter from **Foley & Foley, A Professional Corp.**

# Generations

For our clients and our professional estate planning partners

## Donating from Your IRA

### Contributing in a Way that's Good for Others and Good for You

*If you are at least 70½ years old and want to support a favorite charity, using your IRA as a source of liquidity can be attractive.*

Instead, the check should be payable to the charitable organization and mailed directly to the charity from the institution where your IRA is housed. If you

**W**ith the American Taxpayer Relief Act of 2012, the tax law provision that makes donations directly from an IRA possible was extended to apply in 2013. Here's how it works.

Instead of requesting your entire required minimum distribution from your IRA, you ask that some or all of the distribution be sent directly to the qualified charity of your choice. No more than \$100,000 can be distributed to charity this way in 2013. You can divide the distribution among several charities. To do this, you will need to get the correct legal name and mailing address of each charity, as well as its Federal EIN, as the custodian of your IRA will likely want this information.

Remember that you do NOT want to have a check made payable to you.



want to have your contribution used for a specific purpose, be sure to contact the charity in advance to let them know

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*In This Issue: Donating from Your IRA ... A Crowdsourced Conversation about Heritage and Legacy ... Wedding Bells ... and More Tax Updates ...*



## Estate Planning Workshops

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*Remember, Foley & Foley offers two workshops every month for people who want to know more about wills, trusts, insurance, probate, estate taxes, children's trusts, and more.*

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*There is no charge and no obligation.*

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*You can check our schedule, times, and location online at [www.foleyfoley.com](http://www.foleyfoley.com).*

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*Call us to RSVP at 522-2272.*

## Donating from Your IRA

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that the “check is in the mail,” and how you want to see it used. When the charity issues a receipt, ask them to indicate that the money was received from your IRA, if possible.

When you make a contribution this way, that amount will not be counted as gross income for income tax purposes. If you are still employed and receiving enough income that every dollar earned reduces your Social Security benefits, this can be a financial bonus. Remember that any amounts distributed directly to you

from your IRA will be included in your gross income for tax purposes. If, instead of making the distribution directly to charity, you receive your required minimum distribution and

You may not have this opportunity in future years.

then contribute the same amount to charity, the charity will receive the same amount and you will end up with the same amount from your IRA in your pocket. However, your

entire required minimum distribution will be included in gross income for income tax purposes. If you are charitably inclined and that distribution from your IRA bumps your income up so Social Security benefits are reduced, you’ll be kicking yourself.

In 2013, making your contribution directly from your IRA means that amount is not included in your gross income. You may or may not have this opportunity in future years. Therefore, this year at least, charitable contributions from IRAs are good for others and good for you.

# A Crowdsourced Conversation about Heritage and Legacy

By Susan Behlke Foley

*Don't miss the mark. All of the work you (and we, at Foley & Foley) put into assuring that your affairs are in order and your documents are legally correct is worth little if you have lost sight of your non-financial, non-property legacy.*

Heritage is a basket of goodies passed down to you from your forebears. It contains the history of your family and countrypeople, the language that they spoke, the values that they held dear, the songs that they sang, the stories and jokes they liked to tell, the games that they liked to play, their heroes and villains, their pride in who they were, and their hope that you, in turn, will

pass the basket along intact.”<sup>1</sup>

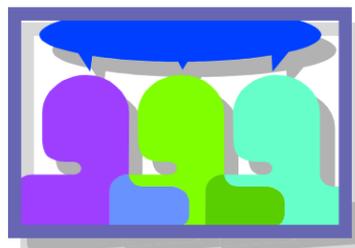
That’s the way a Yahoo user described the concept of heritage. Heritage and legacy are two sides of the same coin.

Your legacy, then, consists of the “basket of goodies” you pass on to others. You don’t have to die to leave a legacy, but its significance may not be fully appreciated until you are gone.

Our clients are some of the wisest people we know. We’d like to share your wisdom in our next newsletter.

<sup>1</sup> Copied from a response by user ‘picador’ at <http://answers.yahoo.com/question/index?qid=20071228183657AAiegFM>

This is a *crowdsourcing* project. Please send us your ideas about how to pass values, stories, and other



heritage items on so they will become a valued legacy to others. Email them to [generations@foleyfoley.com](mailto:generations@foleyfoley.com) and we will publish a selection in our next newsletter.

To get you started, I’ll share a story about purposeful legacy from the family I married into, the Foleys.

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## Crowdsourced Heritage

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July 6, 2013, was a bittersweet day at Foley & Foley. It was the day of Bill Pearson’s marriage, but it also turned out to be the final day on earth for Richard Foley’s father, Richard Hamilton Foley, Sr., known as “Dick.”

Dick was an engineer, always the planner of the family. He and his wife of 63 years, Joanne, spent months preparing for a family reunion scheduled to take place at their home on that day, July 6. As patriarch and host, Dick composed a charge to the family, a call to preserve the values that he and Jo hold dear. Within hours of composing that charge, Dick had a massive stroke.

The family reunion plans went forward. Dick’s sister and each of his



Richard H. Foley, Sr., and Joanne Bresee Foley

December 25, 2012

children, grandchildren, great-grandchildren, and their spouses made it to his bedside during the following six days. The morning of

the reunion, Dick’s amazing wife and children gathered in his hospital room to sing hymns before returning home to host their extended family. Attention and emotions both ran high that afternoon as Richard read his father’s charge to the family.

The news that Dick had passed away followed the gift of his charge by less than two hours.

Dick’s words and the story of how they were conveyed will be treasured forever by everyone who was present. They are only a part of the purposeful legacy Joanne and Dick are giving to those they love.

Please share your thoughts with us about how to communicate the legacy you want to gift to those you love.

## Wedding Bells

Foley & Foley shareholder Bill Pearson married Becky Windt at Alpenglow Lodge at Arctic Valley on July 6, 2013.

The couple got to know each other during the summer of 2010 on a softball team sponsored by the Anchorage Bar Association. After a failed attempt to team up in the Fireweed 200 bike relay, Becky joined Bill on the Klondike Road Relay that autumn, and the two started dating shortly thereafter. Bill proposed to Becky on Eagle River’s Beach Lake Ski Trails on an idyllic snowy night in February.

The day of the wedding dawned

windy and cool, but the wedding party and guests endured the gusts during the outdoor ceremony. The exciting weather didn’t deter the merrymaking, which included exceptional blue grass played by Bill’s longtime family friends, the Carl Hoffman family, from Fairbanks.

Becky is a wonderful woman originally from Canton, New York. A graduate of Harvard University and Yale Law School, she is a fellow member of the Alaska Bar, practicing at the Anchorage law firm of Ashburn & Mason.

Please join us in congratulating Bill and Becky!



William M. Pearson and Rebecca Anne Windt

July 6, 2013