



INSIDE THIS ISSUE

Celebrity Estate Planning Mistakes
page 1

Why New Year's Resolutions Fail
page 2

Protect Your Child From Identity Theft
page 3

Sudoku
page 3

Household Falls
page 4

CELEBRITY ESTATE PLANNING MISTAKES: 2016 EDITION

In 2016, several major celebrities passed away. Most of them had done good estate planning during their lifetimes, which often included trusts, so everything stayed out of the court systems. Unfortunately, as always, there were a few major blunders. We thought it would be fun to discuss these as we start the new year. The mistakes highlighted below could have all been avoided with some well-drafted documents.

TOM CLANCY

As one of America's most famous novelists, you would think Tom Clancy would be one of the last people to have ambiguous language in his estate planning documents. Unfortunately, a line of ambiguous language cost his heirs millions.

Tom Clancy had set up his estate so that, after his death, three trusts would be formed through his will. The first trust was to benefit his wife, but was restricted to maximize his estate tax exemption. The second was a trust that she would mostly draw from during her lifetime, with the remainder going to his daughter from that marriage. The final trust was to go to his other adult children from a previous marriage. Tom Clancy had done a couple of codicils, or amendments, to his will after it was originally established.

In his final codicil, he had his attorney include some tax language that said, "No asset or proceeds of any assets shall be included in the marital share of the non-exempt family residuary trust, as to which a marital deduction would not be allowed if included." Confused? So was the Court that eventually had to decide what this meant. The way this read, on the one hand, could mean that no taxes were to be paid from either of the trusts set up for his wife. This means his children from the prior relationship would have to pay about \$12 million in



taxes from their share. On the other hand, this could be read to mean the taxes were to be paid one half from the children's trust and the remaining half from the trust he had set up for his spouse to use during her lifetime. This would mean that, while closer to \$16 million in taxes would be paid, it would be split equally between his spouse and children. The attorney who drafted the will initially represented the children and said that their interpretation was the correct one. The plan had always been for the children and spouse to split the taxes. Unfortunately for them, Maryland's highest court agreed with the spouse and her interpretation of the language. The net result was that the children lost out on millions of dollars they should have inherited. This is a great reminder that if something looks confusing in a document, it never hurts to ask for your attorney to explain it.

Continued on page 2 ...

Stay on Your Feet PREVENT FALLS AT HOME THIS YEAR

It might have been Johnny Carson (or was it Yogi Berra?) who said, "100 percent of all household accidents happen in the home." Whomever it was, their joke had a point: Every year, millions of Americans are treated for household injuries. Amongst the elderly, a lot of those injuries come from slips, trips, and falls. But don't worry — there's a lot you can do this year to make your home safer.

Start by tidying up. You may not have banana peels lying about, but anything on the floor can serve as a slip or trip hazard. And a little TLC will go a long way — for example, fixing a broken step or changing out light bulbs. More light will make it easier to see potential trip and slip hazards.

Many choose to take extensive action, such as installing railing on both sides of the stairs and grab bars in the bathroom. A bar in the shower and near the toilet will not only provide a safeguard against falls, it will also make normal bathroom use easier. And while railing on one side of the stairs is helpful, railing on *both* sides is even better.

Much of fall prevention is about thinking ahead. As tempting as it is to climb ladders by yourself or clean out the gutters, it's worth taking time to get someone to help or spot you. Even standing on a stool



or chair to reach the top shelf of the cupboard is risking it; instead, reorganize the kitchen so everything is easy to access while standing on solid ground. Plan out potentially hazardous activities. Later, you'll be grateful that you did.

If you have concerns about fall safety, your doctor is always a good person to talk to. This is especially true if you suffer from dizziness or have balance issues, or are taking medication with those side effects. Regular exercise will strengthen your body. And eye exams ensure you can see obstacles ahead of time. This year, stay on top of your health and your home — and stay on your feet.

A New Year's Habit

If you're one of the 50 percent of Americans who view the new year as a perfect time to make a positive change in your life, the odds are stacked against you. Research from the University of Hertfordshire in the U.K. found that 88 percent of New Year's resolutions fail. But don't feel discouraged! Here are three steps you can take to help your New Year's resolution beat the odds:

DON'T BE ABSTRACT

According to Dr. BJ Fogg of Stanford University, New Year's resolutions tend to fail because "people aren't picking specific behaviors. They're picking abstracts." This means we're identifying vague destinations we want to reach without creating a map for how to get there.

With resolutions, ask yourself "How?" What action steps will you take? "I'm going to enjoy life to the fullest and see a new play every month," or "I plan on getting healthier by no longer drinking soda." Start with tiny steps that you can build on to become better habits in your life.

Why Resolutions Fail and How to Beat the Odds

TAKE IT ONE RESOLUTION AT A TIME

Stanford University's Professor Baba Shiv says people can suffer from "cognitive overload." That is, our pre-frontal cortex — the part of our brain responsible for handling things like resolutions — doesn't do well with too many tasks. Pick just one resolution you care about, and you'll be more likely to succeed.

REMEMBER, SETBACKS AREN'T FAILURES

We're only human, and we're going to make mistakes. Just because you broke and ordered that double cheeseburger, skipped a workout, or bailed on going to that new swing dancing class doesn't mean your resolution is finished. A New Year's resolution only fails if you stop trying.

There is something very poetic about starting good habits on the clean slate of a new year. By taking these steps, you can make sure those new habits stick.



Keep Identity Thieves Away From Your Children

3 Steps for Protecting Your Child

The Federal Trade Commission reports that as many as 10 million individuals per year have their identities stolen. Many of these victims are children. In fact, the Identity Theft Resource Center reports that children are 51 times more likely to become the victims of identity theft than adults. Once a child's identity is stolen, it can take years for the fraud to be discovered.

Here are some steps you can take to help protect your child from identity theft:

WATCH FOR RED FLAGS

Be on the lookout for credit card or loan offers addressed to your child or IRS notices saying your child did not pay income taxes. In addition, collection calls or bills sent to your child may be signs of identity theft, so be sure to follow up with the sender if something looks suspicious. Finally, if your child is ever denied a driver's license, bank account, or government benefits, it's possible their Social Security number may have already been used.

CHECK YOUR CHILD'S CREDIT REPORT

Should your child decide to take out a loan to establish credit, only to find they already have a score, it's likely that their identity has already been stolen. If you suspect your child might be a victim of identity theft, it's important to check all three major credit bureaus — Experian, Equifax and TransUnion — right away.

FREEZE YOUR CHILD'S CREDIT

A credit freeze keeps your, or your child's, credit report from going out to any lenders or even utility companies until you choose to "thaw" the account. If your child has a credit report, you should try to freeze the account right away. If your child does not have a credit report, that's great! But if you want to be extra cautious, you may be able to freeze your child's account now to prevent an identity thief from potentially borrowing on their credit in the future.

You are your child's first line of defense, so it's important for you to take precautions. Being vigilant and proactive can help you protect your child's financial future.



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PRINCE

Prince has what is probably the most famous probate case this year. His estate is currently estimated to be worth somewhere between \$300 million and \$500 million dollars and could be worth even more depending on future royalties.

Unfortunately, Prince felt that he had been hurt by signing some legal documents early in his career without understanding what he was agreeing to. Ever since, he had a deep distrust of professionals, including lawyers, and so he refused to sign a will, despite having many of the professionals close to him strongly advise him to at least set something basic up. Since he had no will, his home state of Minnesota's intestacy laws will decide. Intestacy, by the way, is when you die without a will. Every state then has their own laws deciding who inherits. While usually this would be your spouse and children, in Prince's case, since he had no spouse and claimed no children, his parents (who are deceased) would first be his heirs, followed by his siblings.

You can imagine the claims that have already been made. Several potential children have stepped forward. He also had several siblings. But where the real controversy has begun is over whether Duane J. Nelson Sr. was Prince's brother. While Duane was recognized by Prince's father, there are allegations that he might have never actually been related to Prince's father. In addition, Duane is deceased and has been for some time, but he had children who would be potential heirs of Prince's estate. While normally it would be simple to do paternity tests, when both subjects have been deceased for some time, DNA testing can be very difficult if not impossible.

Again, this is one of those situations that could have been easily avoided with good estate planning documents, outlining exactly who was to get what. Had that been done, Prince could have chosen who inherited his fortune rather than letting Minnesota's laws decide for him.

— TC

SUDOKU

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ANSWERS



HAPPY NEW YEAR!

STRATTON & REYNOLDS HOPES THAT THIS NEW YEAR BRINGS YOU JOY, PEACE AND HAPPINESS!