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Marcia L. Campbell, CPA

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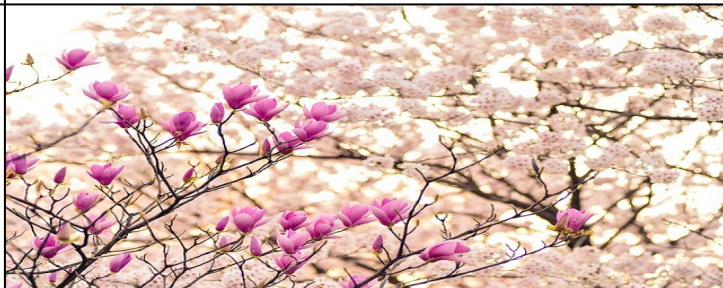
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Tax Prep Checklist: What to Gather Before Filing

3 Tips to Manage Communication with Siblings When You are the Trustee of Your Parent's Trust

Personal information:

- Last year's taxes, both your federal and — if applicable — state return. These aren't strictly necessary, but they're good refreshers of what you filed last year and the documents you used.
- Social Security numbers for yourself, your spouse and all dependents. Remember, in addition to children, dependents can include elderly parents and others.

Income

- W-2 forms. Employers must issue these by Jan. 31, so keep an eye on your mailboxes, both physical and electronic.
- 1099 forms. Each of these ends with a different suffix, depending on the type of payment you received. For example, form 1099-MISC is for contract work. If you're paid via a third party such as PayPal or Amazon, you'll likely get a 1099-K. Investment earnings show up on 1099-INT for interest, 1099-DIV for dividends and 1099-B for broker-handled transactions.

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You recently found out you are the trustee of your parent's trust. It is very likely that during the next few months you will feel extreme family pressures from your siblings to 'give them their money.' We know it all too well.

Many families have a very difficult time coping with their emotions during this time period. It is not uncommon for the trustee to be blamed for how long it is taking and being told they are not seeing it as a priority. If the trustee does not adequately communicate, the beneficiaries of the trust (possibly your siblings) may decide that the trustee is stealing their parent's money and keeping it for themselves. In the worst cases, siblings sue the trustee sibling as a way to put additional pressure on them to get it done!

To avoid being in this situation with your siblings, we recommend you frequently and proactively communicate with them. We have put together 3 recommendations on how to communicate with your siblings to help manage emotions and reduce the possibility of getting sued.

What Our Clients Say About Us

1. Give Frequent Written Updates

Marcia far exceeds expectations in responding to client needs.

-CE

Write letters, e-mails, or group texts, and be sure to contact your siblings to let them know what is going on. Keep them informed about everything, from significant business, such as putting the house up for sale, to small progress updates, like leaving a voicemail for your tax attorney. Any information you can share is valuable to them.

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Tax Prep Checklist: What to Gather Before Filing
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Deductions

Deductions help reduce your taxable income, which generally means a lower tax bill. The key to claiming deductions is documentation — not only can it protect you if you’re ever audited, it can cut your tax bill by helping you remember what to claim. Gathering those records may take time, but it can pay off.

Credits

Next on the tax prep checklist are credits, which are deductions’ more valuable cousins: They provide dollar-for-dollar cuts in any tax you owe. But as with deductions, you need documentation to claim them. Here are some popular tax credits:

- American Opportunity and Lifetime Learning credits. These education-related credits can save you quite a bit of money. As with the tuition and fees deduction, Form 1098-T is required to claim either.
- Child Tax Credit. The standard Child Tax Credit is worth up to \$2,000 per child dependent. If you added to your family through adoption, you might be eligible for additional tax credits.
- Retirement savings contributions credit (also known as the Saver’s Credit). Contributions to a 401 (k), similar employer-sponsored plan or an IRA might allow you to claim this credit.

Payments

Most of us have income taxes withheld from our paychecks to cover our tax liabilities; that amount is on our W-2 forms. But if you made federal estimated tax payments during the year, have this amount handy, too.

This tax prep checklist covers common data for most filers, but taxes are different for each of us. Be prepared to tailor the tax prep checklist to your situation.

Source: www.nerdwallet.com

Please contact our office for more information.†

3 Tips to Manage Communication with Siblings When You are the Trustee of Your Parent’s Trust.....Continued From Pg. 1

We recommend sending them a written update on a weekly or bi-weekly basis to make them feel involved. If there is no news to share, communicate that and set their expectations on when you will reach out next.

2. Ask For Their Opinion

When you ask your siblings for their “insights,” they feel involved and will be less likely to suspect you of making irresponsible decisions that don’t have their best interest in mind. For example, before selecting the CPA who will assist with your parent’s finances, give your siblings a call to discuss the options. Say you have it narrowed down to two professionals, explain the pros and cons of both and have them weigh-in on who to work with. At the end of the day, the decision is still yours since you are the trustee of the trust. However, just by offering the opportunity to give their opinion you have gained their respect.

3. Run All Major Decisions by Them

The most significant decisions, such as taking an offer made on the house, are the most critical to run by the other beneficiaries. We often see that when the trustee makes these important decisions alone, that is when the other siblings consider suing. Why? Because the amount for which you sell the house will directly impact the money they get from the trust to further their own family affairs. Instead of announcing you took an offer on the house, share “we got an offer, and I am thinking about taking it for the following reasons,” and allow them the opportunity to express their feedback. Always allow a grace period of a day to see their replies, before announcing – “we accepted the offer on the house.” Even though they may not like your decision, they did have a window of time in which they could have done something to convince you otherwise.

Source: www.mcampbellcpa.com

Please contact our office for more information.†

First Day of Spring
 March 19, 2020



“The best and most beautiful things in the world cannot be seen or even touched — they must be felt with the heart.”
 ~ Helen Keller



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