



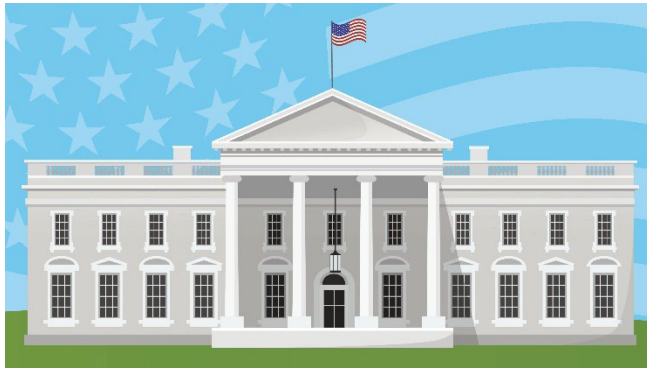
PEACE OF MIND™

NEWSLETTER

Exclusively for POM Members

801 E. Charleston Road
Palo Alto, California 94303

February, 2025



What Does 2025 Hold for Us?

Clearly, change is afoot.

We expect the new Congress to extend the current estate and gift tax levels of protection, which are extremely high. This means that the “cliff” that we worried about will not happen. It is still possible that “deficit hawk” Republicans will restrain this effort, it appears that the level of estate tax protection will continue to be in the area of \$14 million per person. Stay tuned.

- Eliminating the “stepped up basis” will not happen. The idea of changing the capital gains tax rules was floated by some candidates in the last election. Given the election results, this will not happen. This is important for everyone who holds assets that have grown in value and that will ultimately be passed along to children and other favored individuals.
- We worry about the future of Medi-Cal, which is California’s version of the federal Medicaid program. There is discussion in the administration about giving each state a block grant, which would limit the amount of money that each state receives. There is also discussion of tightening rules for

eligibility. California is now extremely liberal in this regard, having eliminated the asset cap for eligibility for most individuals commencing on January 1, 2024. We will track this carefully.

- New policies about immigration could limit the supply of caregivers at home and in facilities. Recent immigrants make up a disproportionately high percentage of caregivers. Expected restrictions will limit the supply. The probable result will be greater competition for caregivers, resulting in higher costs. There are also quality of care concerns.
- The State and Local Tax (SALT) \$10,000 limit on deducting state and local taxes may change. Democrats from high income states may team with a majority of Republicans to increase the allowable amount or even to eliminate the cap altogether. This has significant budgetary implications, so it is currently a matter of speculation.

We do our very best to track such developments, all of which have an impact on our client community.

POM Webinar

Let’s Talk About Your Home, Other Real Property

Thursday, February 13 at 2PM
Sign up today!

How POM Members Used their Hour

“Simple Question” saves over \$550,000.

Mrs. J, whose husband passed away two years ago, used her free hour to ask a simple question about an ADU. She wants her daughter to live on the property with her.

Once that question was answered, we asked if she was aware of the property tax increase that will befall her home if her daughter moves in after our client passes.

“I know there won’t be a property tax increase, if she moves in,” she said confidently.

She was 30% correct and 70% incorrect.

Since only the first \$1 million in reassessment is forgiven if a child moves in and makes Mom’s residence her residence, the property tax increase for her Palo Alto house would approach \$50,000. In the first 10 years after her passing, her daughter would pay an extra \$550,000 in property taxes – in after tax money. Her daughter could not afford this.

Needless to say, we now have responsibility for planning to avoid the property tax increase. If we look at savings over 20 years, the savings easily exceed \$1 million.

Mr. L Consulted with us about a trust his parents created for him. It now holds a substantial amount of money. Upon his passing, assets in that trust go to his two sons.

The nature of this irrevocable trust is that the assets are not in our client’s taxable estate. This is good, generally, because it avoids estate tax exposure and the 40% estate tax.

The problem is that the trust holds a piece of property that has grown tremendously in value since our client’s parents died. This means

that the cost basis is extremely low, only about \$500,000 for a property now worth \$3 million.

Importantly, our client does not have a taxable estate. We are therefore taking steps to remove those assets from the irrevocable trust and put them into his Revocable Living Trust. At his passing, there will be a complete “stepped up basis” for the property, which means that his children can then sell it with no capital gains tax exposure. This will save a few hundred thousand dollars.

Mr. & Mrs. P gave their free hour to their daughter. She and her husband had their trust done by an attorney whose fees were paid by the large company with which she is employed. She was reluctant to see us because she found our fees to be so high.

Her trust was notoriously “vanilla.” It incorporated provisions that did no harm, but that were clearly irrelevant and surplusage.

The Durable Power of Attorney and the Advance Health Care Directive were “check the box” forms.

The attorney spent one half hour with them after they filled out some forms.

The attorney did not raise property tax, estate tax, or capital gains tax issues even though she and her husband have these issues. The attorney said nothing about Dynasty Trusts or Special Needs Trusts even though one child is apparently on the Autism spectrum.

We are redoing her entire estate plan. Yes, she paid fees that she initially viewed as too high. She realized that bargains are dubious when a family’s future is so powerfully impacted.

Remember, if you don’t use your free hour, give it away to a relative or friend.

Peace of Mind Webinar

Let's Talk About Your Home, Other Real Property

Date: Thursday, February 13 at 2 PM

This multi-faceted webinar will focus on property and many related challenges. In this webinar, we will address the avoidance of massive property tax increases under California's Proposition 19. More specifically:

- Steps that can be taken to provide housing options for families with a

special needs – Autism, Schizophrenia, Down Syndrome, etc. – family member.

- Capital gains tax avoidance when selling real property.
- Retention of property tax rates when moving to a lower cost home in California.

Date: Thursday, February 13, 2025

Time: 2:00 PM

Register Online at www.Gilfix.com/peace-of-mind/webinars/

*Register online or
Email shanna@gilfix.com*

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PEACE OF MIND

Member Newsletter

UPCOMING EVENTS

Exclusive Peace of Mind Webinar
**Let's Talk About Your Home,
Other Real Property**

Date: Thursday, February 13, 2025

Time: 2:00 PM

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**NEWSLETTER
FOR EXCLUSIVE
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