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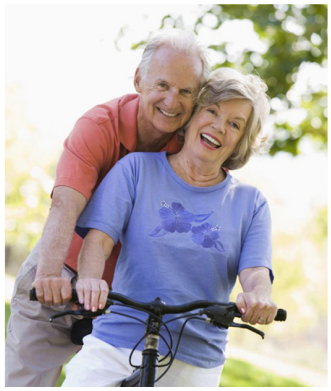

DECEMBER 2020

The #1 Mistake People Make Trying To Avoid Probate?

First, Why Do People Want To Avoid Probate? Most people want to avoid probate for two reasons. First, because assets are frozen and not available to heirs during the year or more it takes for probate to be completed. Remember, probate is the process of validating a will and is designed to give creditors time to get paid and relatives time to challenge the will. The more challenges, the greater the delays.

Second, probate can be very expensive. Attorneys can charge up to 5% of the value of the estate.

Note: You can reduce or avoid the attorney fees by appointing a family member to serve as executor of your will. They can always hire an attorney, if needed. This could save your heirs (estate) tens of thousands of dollars in legal fees.

How Do Most People Avoid Probate? The easiest and most common way people avoid probate is by putting assets in their children's names. While this does avoid probate, it can create other very costly problems.

Example; A widowed mother owns a home worth $200,000, that she would like her son to inherit. When her husband died 10 years ago, she went through the probate process. She would like her son to avoid the hassles and costs of probate when she dies. So she decides to put her son's name on the deed. By doing so, the son will indeed avoid probate. However, by titling the home in the son's name she has probably created a current gift tax liability. (or estate tax problems at her death) Depending on when and if the gift is caught. (Gift rules change each year by the IRS).

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9 Lessons From 'The Richest Man in Babylon' Pt. 1

'The Richest Man in Babylon' by George S. Clason was first published in 1926 and is considered a classic on personal finance and creating wealth. As you read the book, I believe you will be totally blown away by the simplicity of the story and by the tried-and-true financial lessons it presents for accumulating wealth. Following are the 9 most important lessons I want to share with my friends, family and clients.

1. Pay Yourself First!
One of the greatest lessons in this book is 'Pay **Yourself First.'** Set aside at least 10% of what you earn! The difference between being a rich, financially stable person, versus being a poor, broke person, is knowing this first rule! Wealthy people pay themselves first and poor people do not. Before you start paying others, or start spending the money you earn, you need to pay yourself first.

"A part of all you earn is yours to keep. It should be not less than a tenth no matter how little you earn. It can be as much more as you can afford."

2. Live below your means.
Most people have formed the habit of spending more, as they earn more. Train yourself to live on less than you earn. Control your expenditures. Make good use of the money you have left over, after you have paid yourself first. Define what money is to you and define the difference between need vs. want.

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Interesting Facts:

-The Hummingbird is the only bird that we know that can fly backwards.

-Lemons (ignoring honey) are one of the healthiest foods in the world. They contain vitamin C, cleanse the liver, boost immunity and aid in weight loss.

-Almost without exception, the highest-calorie fast food item is a milkshake (1,680 calories).

-Turkey, fish, and cheese have the highest protein-to-calorie ratio of foods.

-Americans consume the most ice cream in the world. Most of the ice cream is consumed between 9 and 11pm.

*Are you unnecessarily paying income taxes on your social security call now for your **FREE** report*
"How to Stop the Taxation of Your Social Security Income"
Call now while supplies last.

"Happiness is not something you postpone for the future; it is something you design for the present."
-Jim Rohn

Special Holidays

We're thinking of you this time of year,

Wishing you happiness, joy, and cheer.

May all your days be warm and bright,

And your nights enhanced by holiday light.

Enjoy your delectable holiday foods,

As parties and gifts create holiday moods.

Favorite people play a meaningful part,

While treasured rituals warm your heart.

You are special to us in many ways,

So we wish you
Happy Holidays!

By Joanna Fuchs

The #1 Mistake People Make Trying To Avoid Probate?

Unfortunately, she has also created a capital gains tax problem for her son.

Let's look at what can happen; Thirty years ago, the mother & father bought the home for $40,000. When the mother dies, because the son's name is now on the deed, the IRS will consider him as an owner, not as an heir. If he decides to sell the home right away, he will have to pay capital gains on $160,000 of profits. That's $32,000 or more, which is a huge amount to pay just to avoid estate taxes. It will be even more as the home appreciates in value in later years.

More Concerns; Jointly owned property, it is legally exposed and attachable by the creditors of each the owners. If any of the owners are sued, go through a divorce, or they have an income tax problem, the asset can be seized to satisfy a legal judgment against that owner.

What's The Best Way to Avoid Probate? Generally, the best way to avoid probate is to establish a revocable living trust, naming yourself as trustee and your heirs as beneficiaries. Because the trust is revocable, you can put assets into the trust and take them back out at any time during your lifetime. And because the assets are owned by the trust, and not by you, your estate avoids probate. When you die, your assets pass directly to the trust's beneficiaries (your heirs).

To set up a trust, meet with an attorney who specializes in estate planning.

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9 Lessons From 'The Richest Man in Babylon' Pt. 1

"Budget your expenses so that you may have money to pay for your necessities, to pay for your enjoyments and to gratify your worthwhile desires without spending more than nine-tenths of your earnings."

3. Make your money work for you.
Your wealth grows not just by what you save, it grows by investing and re-investing. The first principle of investing is the **security of your principal**. You don't gamble or take risk with your principal. Don't be misled by your desires to make wealth overnight. Time is your biggest ally. Your investment will grow as your investments accumulate interest and the money you get from the interest earns interest.

"...put each coin to work so that it may reproduce its kind even as the flocks of the field and help bring to you more income, a stream of wealth that will flow constantly into your purse."

Note: You should think about investing only after you have built an 'Emergency Fund.' You will want to have enough saving to cover 3-6 months' worth of expenses. Your Emergency Fund is a security blanket, especially during this time of economic downturns.

4. Seek advice from experts.
You cannot seek the advice of brick-maker if you want to invest in jewels. Want to create wealth? Seek advice from those who have created wealth. Run away from schemers and tricksters who promise to double your wealth overnight.

"Rule No.1: Never lose money. Rule No.2: Never forget rule No.1."
-Warren Buffett

(To be finished on next month's issue)