

# 2019 · WHAT ISSUES SHOULD I CONSIDER IF MY SPOUSE HAS BEEN DIAGNOSED WITH A TERMINAL ILLNESS?

CASH FLOW ISSUES	YES	NO
<p><b>Do you and your spouse need additional cash flow now?</b> If so, consider the following:</p> <ul style="list-style-type: none"> <li>Accelerated Death benefits or a life settlement on any life insurance policies.</li> <li>Regardless of age, distributions from your spouse's retirement accounts will not be penalized 10% as it qualifies for a disability exception. See "Will A Distribution From My Traditional IRA Be Penalty Free?" and "Will A Distribution From My Roth IRA Be Tax And Penalty Free?" flowcharts.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>

ESTATE PLANNING ISSUES	YES	NO
<p><b>If your spouse has an estate plan, does it need advanced directives (a durable power of attorney, medical power of attorney, and a living will)?</b> These documents will allow your spouse to designate someone to represent them in the event they are unable to represent themselves.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Will your spouse need Long-Term Care in a nursing home or home health care?</b> If so, consider the financial impact it will have on cash flow and assets. Consider Medicaid planning and reverse mortgages.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Will your spouse's estate exceed \$11.4 million or will your combined estate exceed \$22.8 million?</b> If so, you may have an estate tax liability due.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Do you need to develop a gifting strategy?</b> The gift exclusion is \$15,000 per individual or \$30,000 per married couple.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Do you and your spouse own multiple properties?</b> Ensure that residency is clear for probate purposes and to avoid the potential for probate occurring in multiple states. (continued on next column)</p>	<input type="checkbox"/>	<input type="checkbox"/>

ESTATE PLANNING ISSUES (CONTINUED)	YES	NO
<p><b>Do the beneficiaries need to be updated?</b> Check to see if all beneficiary statuses have been updated for the accounts, retirement plans, and insurance policies.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Do the titles of your accounts (investment and bank) need to be reviewed or updated?</b> Add TOD to any brokerage accounts, POD to any bank accounts, or create a revocable living trust to avoid passing through probate.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Are there digital assets that should be preserved?</b> Steps should be taken prior to your spouse's passing to ensure that digital assets transfer to heirs.</p>	<input type="checkbox"/>	<input type="checkbox"/>

INSURANCE ISSUES	YES	NO
<p><b>Can your spouse take steps now to plan for Medicaid?</b> If so, remember the look-back period is five years from the date of Medicaid application.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Does your spouse have any long-term disability insurance or life insurance?</b> If so, consider the following:</p> <ul style="list-style-type: none"> <li>Your spouse may be able to elect the "disability waiver of premium".</li> <li>Review the elimination period and file a claim accordingly.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Is your spouse currently employed?</b> If so, your spouse may be eligible for short-term disability benefits through work.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Does your spouse have LTC insurance, LTC rider on life insurance or critical illness insurance?</b> If so, review the benefit triggers for the policy. (continued on next page)</p>	<input type="checkbox"/>	<input type="checkbox"/>

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INSURANCE ISSUES (CONTINUED)	YES	NO
<p><b>If your spouse is eligible for Social Security Disability Benefits, will there be a need for health insurance?</b> If so, remember that your spouse must be receiving benefits for two years before becoming eligible for Medicare.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Will the illness prevent your spouse from working?</b> If so, reference the "Do I Qualify For Social Security Disability Benefits?" flowchart to see if your spouse is eligible for benefits.</p>	<input type="checkbox"/>	<input type="checkbox"/>

TAX PLANNING ISSUES	YES	NO
<p><b>Will the medical expenses be deductible?</b> If so, your spouse can deduct unreimbursed medical expenses that exceed 10% of AGI, which includes: transportation to healthcare appointments, modifications to a home or car for medical reasons, LTC insurance premiums, privately hired in-home healthcare employees.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Will unreimbursed medical expenses exceed your taxable income?</b> If so, consider doing a Roth IRA conversion to take full advantage of the medical expense deduction.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Are there any realized carryover losses on the tax return?</b> If so, consider selling an asset at a gain to offset the carryforward loss which will disappear as a result of the step-up in basis to FMV.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Are there any unrealized tax losses in an account owned by your spouse?</b> If so, consider harvesting the unrealized losses or consider gifting the asset to preserve the loss and avoid the step-down in basis.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Could there be pensions and/or employer retirement benefits that you may be forgetting?</b></p>	<input type="checkbox"/>	<input type="checkbox"/>

ASSET & DEBT ISSUES	YES	NO
<p><b>Will there be any debts that will be due upon death (Commercial loans or medical expenses)?</b> If so, debts will be paid from your spouse's estate and creditors can make a claim five to seven months after the person passed away.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Does your spouse have any assets, stock options, grants, or restricted stock units (RSUs)?</b> If so, consider how it will impact your tax liability and your cash flow planning.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Will there be any expenses that require you to sell any investments (Did your time horizon, investment objectives or risk tolerance change?)</b></p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>If your spouse is a business owner, do you have an exit strategy or a succession plan?</b></p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>If you have annuities or illiquid assets, do they need to be reviewed to understand options?</b></p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Do you own taxable investments with an unrealized gain?</b> If so, consider gifting them to your spouse to receive a step-up in basis (applicable if your spouse lives for more than one year after the date you gifted the investment).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Does your spouse have retirement accounts and do you not need the assets?</b> If so, consider changing the beneficiaries to your heirs to create a "Stretch IRA".</p>	<input type="checkbox"/>	<input type="checkbox"/>

OTHER ISSUES	YES	NO
<p><b>Are there any state specific issues that should be considered (including out-of-state property or estate tax liability)?</b> If so, some states have unique rules that can have a material impact, such as a liability for the surviving spouse to pay for the expenses associated with the illness of the spouse.</p>	<input type="checkbox"/>	<input type="checkbox"/>

OCTO Capital Wealth Management (OCWM) offers low-cost, tax-efficient index investment management and financial planning. OCWM derives its investment strategy from Nobel-prize winning academic research and financial science using portfolios from Dimensional Fund Advisors (DFA), Vanguard and ETF funds, as well as cash equivalents, maturity laddered bond and CD portfolios. Our portfolios aim to capture higher expected returns by tilting exposure to key “factors”, such as company size, value, and profitability; without slavishly adhering to an index.

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