



**Blankinship & Foster**

*Family Wealth Advisors*

# **Giving Wisely to Your Family**

*February 2016*



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# The Struggle of Giving

# Why Do We Gift?

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- Support our loved ones
- Reduce your estate tax bill

# The Struggle of Giving

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- Should I give or should I not?
- How much should I gift?
- Does my support enable bad behavior?
- Family dynamics

# The Struggle of Giving

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Billionaire Warren Buffett has said,

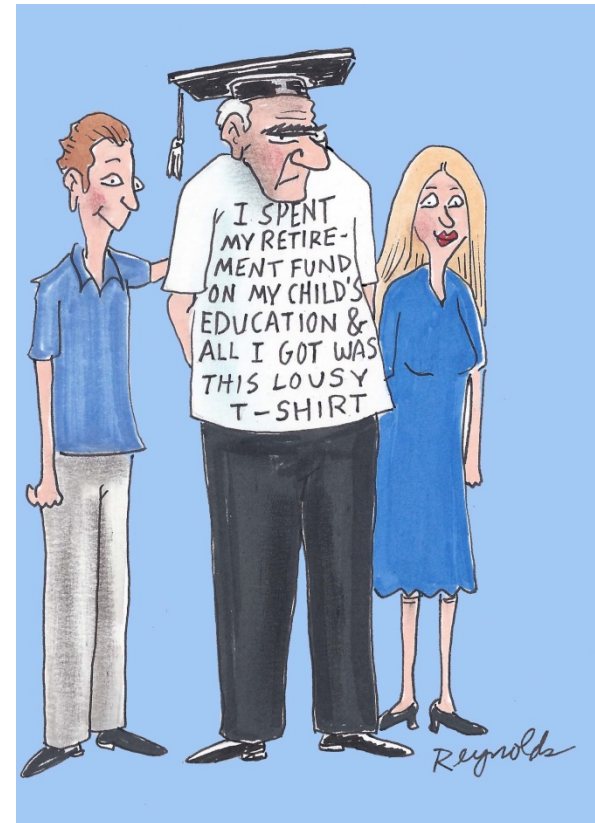
“I want to give my kids enough money so that they feel they can do anything, but not so much that they do nothing.”

**BUT**

*Not at the expense of your own financial security.*

# Your Financial Security

- Know how much you can give
- Use your financial planner as the “bad guy”
- Don’t pay for your child’s education at the expense of your retirement





# **Giftng: the Basics**

*Speaker: Jon Beyrer, CFP®<sup>®</sup>, EA®<sup>®</sup>*





# Ways to Give to Family Members

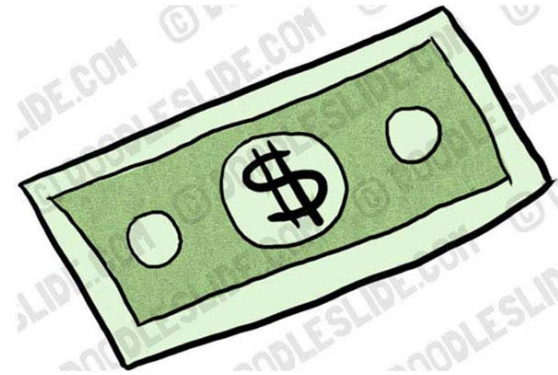
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- Cash gifts
- Gifts of assets
- Paying expenses or debts
- Education accounts
- Retirement accounts

# Cash Gifts

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- Easiest, most flexible
- Least control
- Hardest to track and document



# Gifts of Assets

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- Securities
- Physical Assets
- Real Estate



# Paying Expenses or Debts

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- Paying tuition or medical costs
- Covering insurance
- Helping with rent
- Paying off debts
- Co-signing on loans



# Education Accounts

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- Custodial accounts
- Education Savings Accounts
- 529 plans



# Retirement Accounts

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- IRAs
- Roth IRAs
- Health Savings Accounts



# Rules and Limits on Gifting

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- Annual exclusion from gift tax
- 5 year election for 529s
- Income tax considerations
- Capital gain considerations



# Ground Rules of Lending and Gifting Money

*Speaker: Rick Brooks, CFA® , CFP®*





- A bank is a place that will lend you money if you can prove you don't need it. ~*Bob Hope*



# Rule #1: Agree

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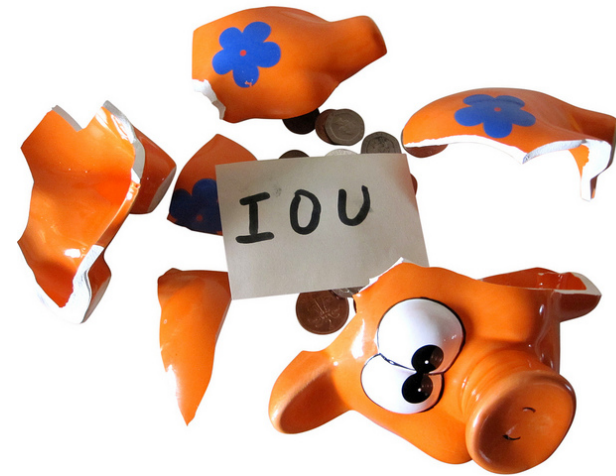
- If married, both spouses must agree on the loan and its terms.



# Rule #2: Business

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- Lending money is a business or investment transaction
  - Only lend money you can afford to lose
  - Agree on collateral
  - Charging interest



# Rule #3: Protect Your Credit

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- Co-signing a loan is a very risky proposition
  - It can help your child build a credit rating but...
  - Default can wreck both your credit scores
  - Co-signing puts you on the hook for repayment



# Rule #4: Due Diligence

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- Commercial lenders always perform due diligence on their borrowers, and so should you
  - Understand what the money will be used for



# Rule #5: Documentation

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- Business transactions require documentation
- Document the terms of your loan
  - Interest rate?
  - Length?
  - What if default?
  - What if death?
  - Collateral?



# Rule #5 Continued

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- If it's a real estate transaction, record it with the county
  - And record a reconveyance when the loan is paid off
- Imagine having to explain your loan to Judge Judy without paperwork. How would that go?





*“I’m sorry, son, but I’m not in the bad debt business anymore.”*





# **Gifts and Lending: the Hard Stuff**

*Speaker: Tom Applegate, CPA*



# Gifting Myths

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- Gifts are not taxable
- Gifts are not tax deductible
- Interest free loans are not taxable
- Kiddie tax is real

# Loan or Gift?

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- Documentation threshold \$10,000
- Interest taxable and may be deductible
- Must have promissory note
- Update trust document

# Gift Planning Strategies

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- Shift income recognition (high/low)
- Reduce estate size
- Gift appreciated stock and real estate
- Assistance with large purchases (car or home)
- Consider equity real estate investment

# PSA Tax Scams

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- Cost victims over \$20 million
- IRS impersonation telephone scam (scare tactics and caller ID spoof)
- Identity theft scams
- The IRS does not:
  - Call and demand immediate payment
  - Require payment by a specific manner, i.e., prepaid card
  - Request credit card information over phone
  - Threaten to bring in local police or agencies for arrest

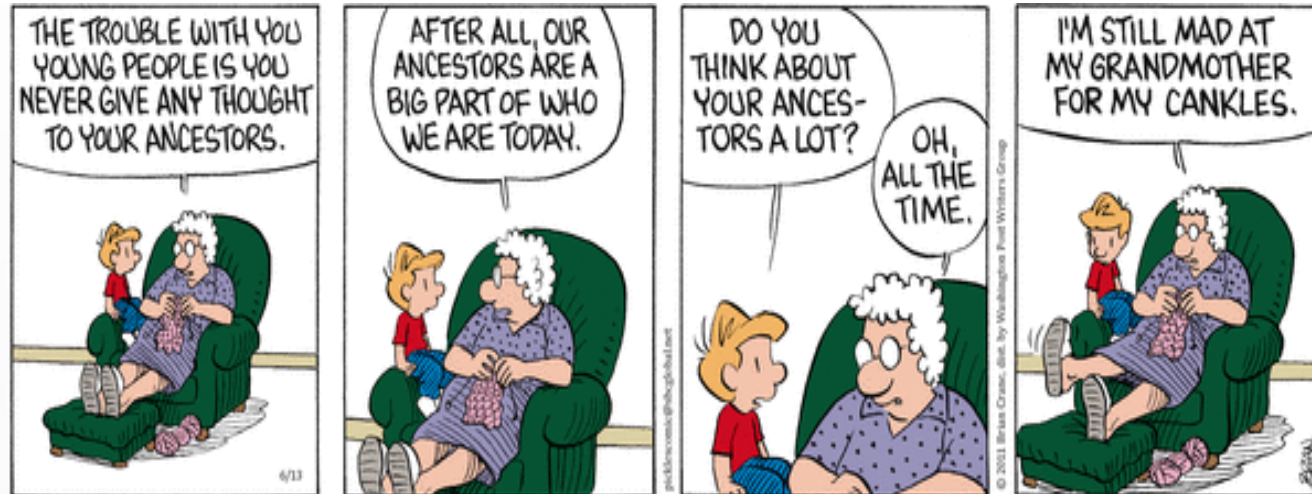


# Other Ways to Give to Family Members

*Speaker: Teresa Kakadelas, CFP® , CDFA™*



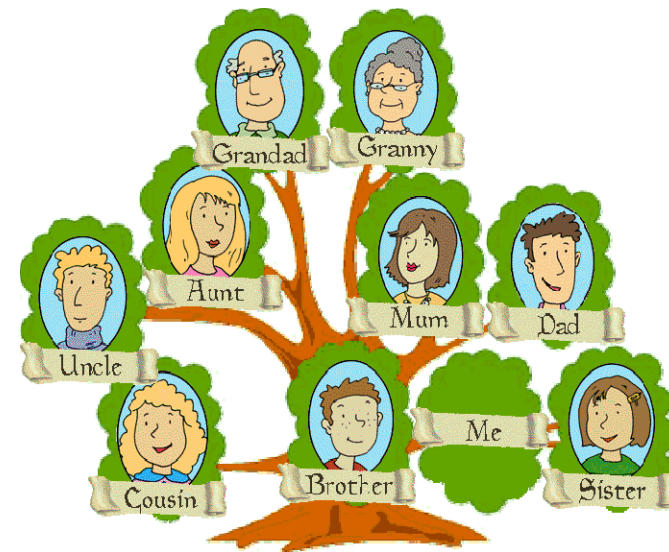
# Family Tree or Genealogy



# Family Tree or Genealogy

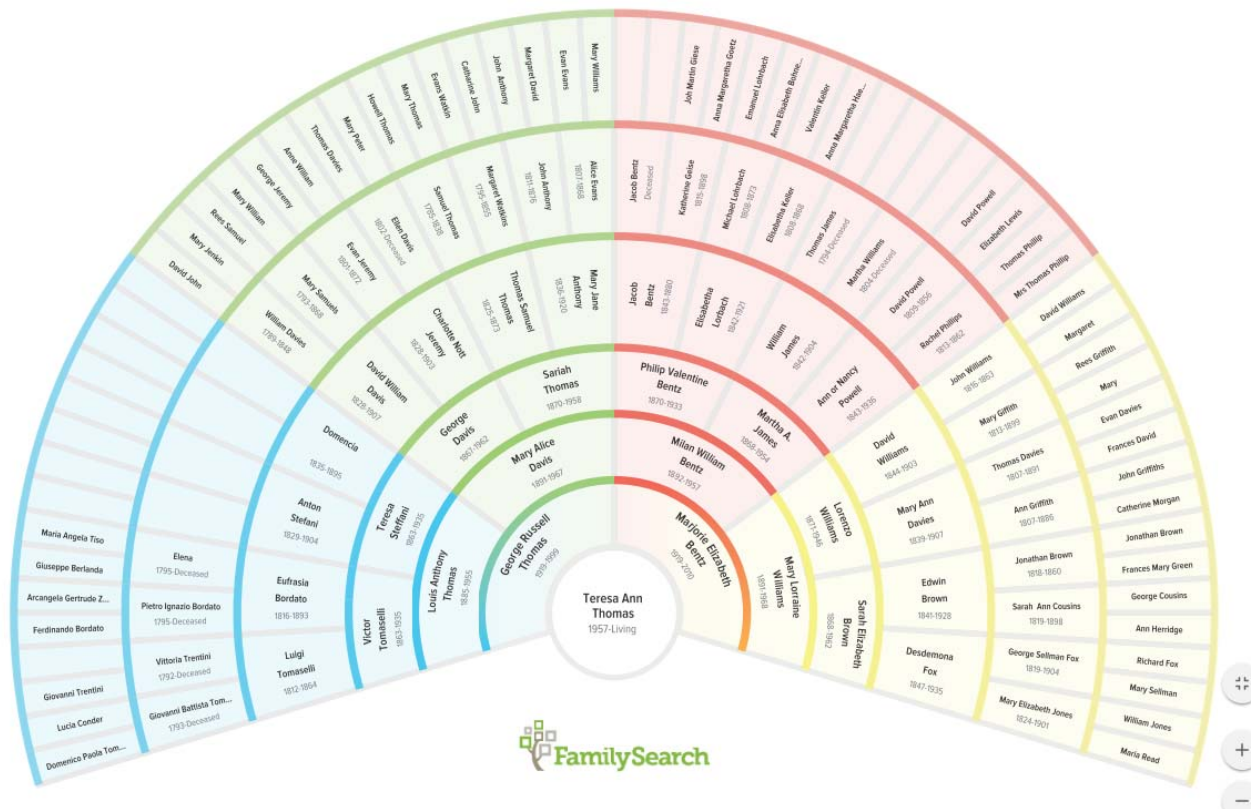
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- Connects us to our past
- Teaches sympathy
- Gives joy
- Ancestry.com
- Familysearch.org





# Family Tree or Genealogy



FamilySearch

# Family Tree or Genealogy

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**Teresa Steffani**

KNV3-Q9D  Watch

BIRTH 14 Dec 1863  
Strigno, Tyrol, Austria

DEATH 2 Dec 1935  
Zizers., Switzerland

**1** SOURCES

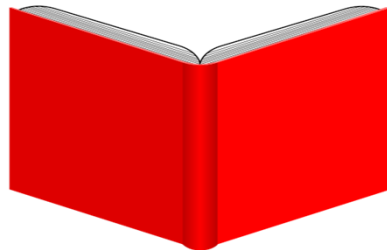
**0** DISCUSSIONS

**1** MEMORIES

# Life History

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- Helps one feel closer to family members
- Involve child or grandchild in writing
- <http://oralhistory.library.ucla.edu/familyHistory.html>



# Family Traditions

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- Any activity that is purposefully repeated as a family
  - Provide a source of identity
  - Strengthen family bond
  - Provide comfort and security to children
  - Teach values
  - Connect generations

# Family Reunions/Trips as a Family

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- Bring family together
- Offer opportunities for family members to connect
- Opportunity to share memories



# Family Tradition of Philanthropy

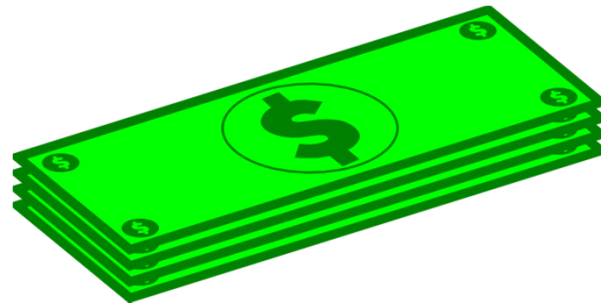
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- Find ways to perform philanthropy together
- Include family members with your plans
- Choose organizations together
  - Research organizations
  - Guidestar - <http://www.guidestar.org>
  - Tour organizations together
- Match their gifts

# Knowledge of Personal Finance

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- Responsibility to teach family members
  - Teach by example and advice
  - Give book on personal finance to young adult





# Questions?





# Biographies of Speakers



**Monica Ma, CFA®, CFP®**

Monica has been helping clients with their financial affairs since 2004. She joined Blankinship & Foster in 2008. Monica is an investment manager for many client investment portfolios, chairs the firm's Investment Committee, and supervises the implementation of Investment Committee decisions across all client portfolios.

Monica is a member of the Investment and Finance Committee of the International Community Foundation and is a past vice-president of the San Elijo Hills Women's Club.

Monica earned her Chartered Financial Analyst (CFA) designation in 2007 and is licensed to use the Certified Financial Planner and CFP marks by the Certified Financial Planner Board of Standards. She graduated from University of California, Berkeley with a Bachelor of Science in business administration and a Bachelor of Arts in integrative biology.

Monica and her husband, Zhi, moved to San Diego after 8 years in the Bay Area. They enjoy traveling, cooking and spending time with their family and dogs.





## **Jon Beyrer, CFP®, EA®**

Jon has been helping clients with their financial affairs since 2001. He joined Blankinship & Foster in 2003. Jon serves as a lead advisor, specializing in helping busy families bring together all the aspects of their finances. Jon is a partner and is the firm's Chief Compliance Officer.

Passionate about giving back to his community, Jon serves on Rady Children's Hospital Foundation's

Estates and Trusts Executive Committee, the Scripps. Healthcare Planned Giving Advisory Board, and is the co-founder of the Professional Alliance for Children, a public charity that provides free financial and legal assistance to the families of ill children.

Jon is licensed to use the Certified Financial Planner and CFP marks by the Certified Financial Planner Board of Standards, and is enrolled to practice before the IRS as an Enrolled Agent (EA). He earned his Master of Science in Financial and Tax Planning in 2001 and his Bachelor of Science in Finance in 1995 from San Diego State University.

Jon and his family live in Sabre Springs. He enjoys spending time with family and enjoying outdoor activities together.



**Rick Brooks, CFA®, CFP®**

Rick has been helping clients with their financial affairs since 1996. Rick joined Blankinship & Foster in 2004. He oversees the firm's efforts in investment research and portfolio management.

Rick also serves as a lead advisor, counseling clients on all aspects of personal financial management. He is a partner, a member of the firm's management team, and chief investment officer.

In 2015, Rick was elected Chair of the Board of Girl Scouts San Diego. He has served as Chair of their Investment Committee and has been a member of the Executive Committee since 2011. Rick has also served on the board of Presidio Little League since 2011, and is Chair of the San Diego Foundation's Professional Advisor Council.

Rick is licensed to use the Certified Financial Planner (CFP®) mark by the Certified Financial Planner Board of Standards and has earned the designation of Chartered Financial Analyst (CFA) awarded by the CFA Institute. He received his MBA from San Diego State University, and earned a Bachelor of Arts from Duke University in 1989. Rick and his family live in Mission Hills. When he's not thinking about investments, Rick enjoys spending time with his family, theater, cooking, skiing, gaming and reading.



**Tom Applegate**, CPA provides clients with tax, accounting and business consulting services including tax planning and compliance, financial forecasting and budgeting, estate planning techniques, estate and trust return compliance, and audit and review engagements.

Tom is a native San Diegan and honors graduate of San Diego State University. After college he worked in the small business department of Price Waterhouse. Mr. Applegate was certified by the State of California in May of 1981 and has practiced public accounting for the past 30 years. Mr. Applegate has previously served on the faculty at Palomar College and National University.

Tom is very active in the community and is affiliated with numerous organizations, amongst them the Carlsbad Charitable Foundation, Carlsbad Hi-Noon Rotary Club, San Diego Botanical Gardens (formerly Quail's) and the Carlsbad Chamber of Commerce.

When not in the office, Tom enjoys spending time with his wife Carla working in their backyard which they have certified through the National Wildlife Federation, as well as spending time with his children and grandchildren.



**Teresa Kakadelas, CFP®, CDFATM**

Teresa has been helping clients with their financial affairs since 1999 and joined Blankinship & Foster in 2005.

Teresa heads up the firm's Financial Planning Team, continually identifying and helping solve financial planning issues for clients. Teresa started the firm's

“Wise Women” luncheons, designed to help clients with financial education. She finds professional satisfaction in helping clients clarify and simplify their financial lives and plan for the future.

Teresa is licensed to use the Certified Financial Planner and CFP marks by the Certified Financial Planner Board of Standards. She holds a Master of Science in Business Administration in Financial and Tax Planning from San Diego State University, and completed her undergraduate work at Brigham Young University.

Teresa and her husband, Kim, live in Carlsbad. They have four grown daughters and are proud grandparents. After many years of being a “soccer mom,” she has retired from that role and enjoys traveling, cooking and spending time with her family.

