

TREMAIN & HOFFMAN, LLP
HEATHER TREMAIN AND NANCY A. HOFFMAN, ATTORNEYS AT LAW
1814 Franklin Street, Suite 800
Oakland, California 94612-3438
Telephone: (510) 835-3090
Fax: (510) 835-1050

April 23, 2007

To My Dearest Clients:

As spring approaches, I want to give you an annual update on exciting developments at Tremain & Hoffman, LLP, and estate planning issues that may apply to you.

First, I am pleased to announce the arrival of our new estate planning attorney, Angela Tseng. She was born and raised in San Francisco and recently graduated from University of San Francisco School of Law.

Second, enclosed is a new brochure describing my estate planning philosophy and how it may help you improve your legacy. Many of you are already doing this by making a meaningful contribution to the world while you are alive. This kind of contribution can be amplified at the time of your departure from this world and usually includes much more than the just the legal aspects of your estate plan. For example, you may want to create an “ethical will” to more clearly pass on your values, advice, and beliefs to your friends and family. You can also memorialize your family history and genealogy or make a video of your life experiences.

To serve you more holistically, I work closely with experts in areas such as those mentioned above and in the brochure. I would be happy to refer you to any of them if it peaks your interest. These experts are people that I know personally, and for whom I have high regard. I am always looking for more experts to whom I may refer business because I prefer to give my clients more than one option. I need to add more experts to my list in the following areas: private home health care provider, health care manager, local assisted living spaces, real property manager, bookkeeper, funeral/burial director, legal mediator, business attorney, and real estate appraiser. If you would like to suggest someone in any of these areas, please let me know.

Third, there are few issues to remember if you have an estate plan. First, if you opened any new financial accounts (non-retirement) since we met, such as CD’s or bank accounts, these must go into your trust. Second, if you opened any CD’s, IRA’s, or Life Insurance policies, please check to make sure the beneficiaries you listed are consistent with the beneficiaries in your estate plan. Third, IRA regulations have changed recently and I strongly recommend that we review your designations if you named any trust as a beneficiary. Fourth, please keep in mind that if any one of your beneficiaries is receiving government benefits, they may be disqualified from these benefits if they inherit assets from you. And fifth, if you are married and do not have a free standing “Aggregate Theory of Community Property Agreement,” I would be happy to send one to you for \$25. This agreement allows for a 50/50 split of the value of assets at death instead of each specific item, and therefore makes the administration easier. I am always improving upon my plans and this additional document makes it easier to divide community property assets when the first spouse dies. If it has been a couple of years and you haven’t yet updated your plan to include the health care privacy releases under HIPAA, I would

be happy to send you a free standing HIPAA release for \$25 as well. (Truthfully, I prefer to incorporate the HIPAA release into your estate documents instead). If any of these areas applies to you, please schedule a meeting so we can make sure your plan is up-to-date and reflects your current wishes. If you have an out-of-state LLC holding out-of-state property and you don't normally pay California's \$800 annual tax, call me, as new tax regulations now require it.

Fourth, for those of you with estates in excess of \$1 million, the proposed estate tax changes did not pass the federal legislature last year. That means that on December 31, 2010, each estate will be taxed at 50-55% for assets that exceed \$1 million at death. There is still no tax between spouses who are U.S. citizens, however. Whether estate tax must be paid at your death depends on the estate planning choices you make while you are alive. I am always happy to discuss alternatives with you. As the law is changing every year between now and 2011, those of you who have an ABC structure may want to revisit your trust structure to make sure that it is flexible enough to handle the tax changes from year to year and still meet your objectives. For example, in 2010, there is no estate tax, so the "B" trust doesn't save your estate any money – in fact it can backfire from a tax perspective in 2010 because the "B" trust does not enjoy the "fresh start" capital gains step up in basis discussed below.

Fifth, another planning opportunity begins at midnight on December 31, 2009. That is when the capital gains "fresh start" basis turns into "carry over" basis for any assets that exceed \$1.3 million in unrealized gain. We are not used to worrying about keeping track of our cost basis in assets because we currently inherit property with a "fresh start" – taking on the date of death value as the new cost basis. That means when we sell inherited property soon after death under the current law, there is often no capital gain tax to pay. In about 2½ years, however, we will only be allowed to pass on a "fresh start" for assets under \$1.3 million in gain, everything beyond that will be passed on with its old basis. This makes your record keeping very important, and we may need to discuss how that \$1.3 million fresh start basis should be allocated among your beneficiaries.

Additionally, one recent change in the law allows individuals, aged 70 ½ or older, to make gifts directly from their individual retirement accounts (IRAs) to charities of their choice without having to pay the income tax on the value of the IRA gifted. If you would like information about how to make a charitable gift from an IRA, please feel free to contact me.

Finally, I updated our hourly rates over a year ago for new clients. On June 1st of this year the new rates listed below will apply to all existing client fee agreements.

Heather Tremain, Attorney, Certified Legal Specialist	\$325
Angela Tseng, Attorney	\$225
Donelda Bernard, Accountant	\$225
Paralegals	\$135
Legal Assistants	\$ 85

Thank you for the continued referrals and confidence in my work. I always offer ½ hour complementary consultation to your referrals so that we can get to know each other.

Very truly yours,



Heather Tremain