



October's Boo-tacular Issue Features:

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 - ▲ From All of Us
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KH LAW NEWS

OCTOBER 2008

Bringing You Our Best

The Silver Lining in Tough Economic Times

The economy is weaker than it was in the late 1990s. Interest rates have been rising. Food and energy prices have been skyrocketing. Home prices have been falling. It is getting to the point that we don't even want to watch the news anymore.



However, there is a silver lining behind the dark economic outlook. As home prices fall and interest rates rise, one estate planning strategy for persons with taxable estates becomes particularly attractive. A Qualified Personal Residence Trust or "QPRT" is a great way to get the value of your home out of your estate for estate tax purposes at a discount. You transfer your home to an irrevocable trust you set up for that purpose. You retain all rights in the home for a period of years, which you select. After the expiration of the period, you can continue to live there by paying rent to the trust (which further helps diminish your taxable estate). The amount an individual can leave estate tax-free is \$2 million, rising to \$3.5 million in 2009, but then falling to only \$1 million in 2011. If you have less than \$1 million in assets, a QPRT may not be an appropriate estate planning strategy for you.

Let's look at an example. In 2003, your home was worth \$500,000. Today, it is worth \$400,000. The interest rate used by the IRS was 3% in 2003. Let's say that at the time of your transfer that the interest rate has increased to 5%. Let's further assume you are 70 years old and keep a retained interest for 8 years and then pay rent. The actuarial value of the remainder interest gifted to your kids in 2003 would have been approximately \$292,000. If you did that same transaction in today's environment with the home at \$400,000 and the interest rate at 5%, the value of the gifted interest would be less than \$200,000. That's about a 31.5% reduction in the value of the gifted interest. Let's say your home goes up in value to \$800,000. You will have gotten the whole thing out of your estate for a value of less than \$200,000! This preserves more of the amount that can pass estate tax-free to be used for your other assets.

As you can see, this is a great time to think about this strategy. The higher the interest rates and the lower the home values, the more powerful this strategy becomes. There may not be much to be thankful about in economic news nowadays. But, this can be a great time for certain estate planning strategies like this one. A qualified attorney who focuses his or her practice in estate planning can help you design and implement a strategy for these tough economic times that meets your unique needs.

Attorney Michelle T.L. Hernandez has extensive legal experience in the area of estate planning and is an active member of the American Academy of Estate Planning Attorneys. To schedule your free consultation today, simply call (800) 431-9776.



On Tuesday, September 16, Krueger & Hernandez participated in the Walt Smith Charity Open at the Baraboo Country Club. The annual fundraiser is sponsored by Smith CPA to benefit local charities. Thanks to Tracy Thompson, of Charter Communications, for allowing us to join her team! The Charity Open raised record breaking funds for these charities! Well done to all participants!

Krueger & Hernandez is proud to announce that we've saved 5 trees so far this year, using Shred-It!

Save more trees! Sign up for our paperless newsletter by emailing us at moassistant@kh-law.net or call us at 800-431-9776



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Wishing You a Safe and Happy Halloween!

Mortifying Mark L. Krueger



Macabre Michelle T.L. Hernandez



Appalling Angela Nichols Philipp



Raging Renee Nehring



Cadaverous Kara Malston



Startling Stacie Ray



Shocking Shelley Craker



Repellent Rynae Stefan



Contemptible Kate Aeschbach



Dreadful Dera Johnsen



Blood-Curdling Kayleigh Robinson



Evil Eileen Shanks

Common Divorce Mistakes

Getting a divorce is a messy business, both personally and financially. Often people are in such a hurry to reach settlement that they make costly financial mistakes. The following are a list of mistakes that should be avoided.

Having Unrealistic Expectations: Divorce puts a cramp in your family's lifestyle. One household is about to be split into two. Unless you are extremely wealthy, expect money to be a little tight, at least in the beginning. Try to plan for this by having a cash reserve of some kind to assist in the payment of living expenses at least for the first month or two of a divorce.

Failure to Communicate: If you do not share information with your spouse or your lawyer, you will only end up paying for the legal work it will take to get it. Disclose all information, ask questions, and freely communicate with your lawyer.

Avoid Endless Battles: Turning the courtroom into a battleground will drain your emotions and your accounts. Pick your battles wisely and remember that each battle will increase your legal expenses as well as your spouses, making settlement even more difficult.

Don't Get Hung-up on the Numbers: An even split is not necessarily a fair split. Assess your tolerance for risk before deciding how to divide financial assets. Your spouse may not mind taking over a risky stock portfolio whereas you might. Although your house may be worth hundreds of thousands of dollars on paper, the real estate market may be such that selling the house for what it is worth on paper is unrealistic.

Be Realistic: Although the present is important, don't forget to contemplate the future. Make sure you understand the financial implications of your decisions. It might seem fun to take the \$35,000 corvette in the property division, but it may be better for your future to take a mutual fund of equivalent value. The car will depreciate, while a mutual fund, chosen wisely, should increase.

Don't Forget Taxes: Do not forget to factor in the tax cost of the financial decisions you make. For instance, two stock portfolios of seemingly equal dollar value might really be worth completely different amounts depending on capital gains.

Do Not Overlook Important Information: In the struggle to keep your divorce simple, make sure you have information on absolutely everything that will affect your financial future: all assets, investment funds, retirement pensions, etc.

Make Sure to Untangle All Joint Finances: Keeping your finances jointly mingled means your financial future could be jeopardized if your former spouse defaults on payments, commits fraud, goes bankrupt, or becomes disabled. You might also be liable for any debt your spouse had incurred under your name. This makes getting a credit report at the very beginning of a divorce even more essential. Make sure that you and your lawyer have worked out a way to cut or minimize all financial ties with your ex before the divorce rather than after.

Consider How Much Time it Will Take to Get Your Career Back on Track: If you gave up your career when you got married to take care of the children or to help your spouse in his or her business, it probably will not be easy to jump back into the workforce. Do not be surprised when the costs, both financially and emotionally, of resuming your old career turn out to be greater than you thought.

These are just a few mistakes that can be avoided by working with a well qualified divorce attorney. Although divorce is always difficult financially and emotionally, working with the right professionals and avoiding these types of problems, can also lead to a great beginning to the rest of your life.

Should you, a loved one, friend or co-worker need the services of a qualified divorce attorney who will listen and respect your needs, please contact Attorney Mark L. Krueger or Attorney Angela Nichols Philipp toll free at (866) 455-2993 or visit us on the web at www.kh-law.net.

Our Spooky October Birthdays Belong to

Renee Nehring and Rynae Stefan!

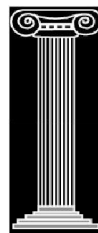
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**KRUEGER &
HERNANDEZ SC**
Attorneys at Law

We Listen
We Care
We Get Results

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Personal Contract	Probate/Trust Administration	Tax Preparation
	Personal/Business Litigation	