



IRREVOCABLE RESIDENCE TRUST

BENEFITS OF AN IRREVOCABLE RESIDENCE TRUST (IRT)

NO PA INHERITANCE TAX - Beneficiaries don't pay PA Inheritance Tax on the value of your residence if you survive for one year from the date the property is placed into the IRT.

PA Inheritance Tax rates range from 4.5% to 15% of the date of death value of the residence depending on the relationship of the beneficiary to the person who died.

Conservative Example: Your house is valued at \$225,000 when you die. 4.5% of \$225,000 is \$10,125. Thus your estate saves \$10,125 in inheritance taxes on a \$225,000 house based on a 4.5% tax rate. What is the value of YOUR residence? The higher the value, the higher the tax savings!

THE RESIDENCE IS PROTECTED FROM YOUR CREDITORS - As long as you do not retain an interest in the residence and cannot change the terms of the trust, the residence is protected from your creditors. *See Medicaid rules below for Medicaid creditor claims.

THE RESIDENCE IS PROTECTED FROM A MEDICAID LIEN - If your residence is in the IRT for five years prior to you applying for Medicaid, no matter how much you receive in Medicaid assistance at a nursing home, the residence will not have a Medicaid Lien placed against it upon your death. At an average of \$6,500+ per month in nursing care costs, or \$78,000+ per year, this could mean THE SAVINGS OF THE ENTIRE VALUE OF THE RESIDENCE FOR YOUR LOVED ONES!

THE RESIDENCE IS INHERITED ON A STEPPED-UP COST BASIS - By placing the residence into an IRT, your heirs will not have to pay capital gains taxes on the property.

YOU ARE ALLOWED TO LIVE IN THE RESIDENCE AFTER IT IS PLACED IN THE IRT - You will become a tenant rather than an owner of the property. But do not be alarmed you won't owe rent! You will continue to pay the property taxes, homeowners insurance, utilities, and maintenance on the property and this will be considered the "rent" that you pay to the Trustee. By being a tenant rather than an owner, you do not retain an incidence of ownership thus taking the residence out of your estate and protecting it from PA Inheritance Taxes, Creditors, Medicaid Liens, and Capital Gains Taxes all while providing you the legal right to continue to live in the residence.

THE RESIDENCE IS PROTECTED FROM CREDITORS OF THE BENEFICIARIES - The assets in an IRT are protected from the liabilities of the beneficiaries if the beneficiaries do not receive ownership of the residence until your death or the interest is subject to the discretion of the trustee or the trust agreement includes a "spendthrift" provision.