

TAX ESTATE PLANNING

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WHAT ARE YOUR RESIDENTIAL CONCERNS & TAX ESTATE PLANNING SITUATION?

DO THESE CIRCUMSTANCES FIT YOUR CURRENT STATUS

Aged 55+ ▪ 20+ Year Ownership ▪ Equity Exceeds \$250/500K §121 Exemption ▪ Residence ▪ Open to Conversation

CASH FLOW

Maintaining a steady, **predicable cash flow** is important to many. If the lion share of your NET worth is tied up in house equity, selling to access cash flow may be needed.

“RIGHT” SIZE

Often homes **owned for 20+ years** no longer match needs & maintenance costs justify right-sizing. Have you **outgrown** the need for & cost of this home?

ESTATE PLANNING

For the benefit of maintaining **positive cash flow through retirement** & providing a financial legacy for others, selling may be wise.

MOVING

Deciding to move, for whatever reasons, requires serious attention pivoting on timing, **home’s FMV, tax on cap gains**, and more.

CAPITAL GAINS

Many homeowners are unaware of the several ways to contend with **capital gains tax exposure**. This is where we assist.

WHAT ARE YOUR OPTIONS?

1

DEATH

Beneficiaries receive stepped up basis – FMV of Residence at Date of Death

There is no property sale & no access to built up equity except, perhaps, from a reverse mortgage but refinances in retirement years can be very difficult.

2

COST BASIS

Whatever you paid for the property becomes the # from which CG calc starts

Homeowner reports and fully pays the CAP GAIN TAX **in the year of sale** – the amount of combined State & Federal tax depends on your tax bracket but could amount to as much as ~37% of the taxable portion after applicable exemptions.

* Subject to Calculation *

3

COST+ BASIS

The original cost of the property **PLUS** capital improvements

4

DEFER - ELIMINATE

We customize Tax Estate Plans that DEFER or ELIMINATE Tax on Capital Gains

There are numerous ways to **reach your goal by several available customized tax estate plans**.

In order to know which plan is best for any particular homeowner, **we scrutinize key financial data (i.e., personal financial statement, tax returns, existing estate planning)**.

Taken together, these documents provide a based from which a customized tax estate plan can be crafted that meets a homeowner’s retirement needs and objectives.

DECISION: SELL OR STAY IN PLACE

After 20+ years in your residence, a decision to stay OR sell in 2022 might be your most important next decision!

- 1/ **Setting the right listing price,**
- 2/ **moving existing real property tax to new home,**
- 3/ **tax on capital gains / appreciation &**
- 4/ **selecting the right Team to assist.**

<https://lauradrammer.com>

<https://stansen.com/taxes>

PRICE YOUR HOME TO SELL

CONSULT **LAURA DRAMMER** ► **805-448-7500**

To be candid, there is more to this task than simply looking at Zillow.com or other online services to get to an accurate property valuation! **Laura** will expertly conduct a property evaluation, share comps, to assess best sales price.

PROPOSITION 19 - TAX PORTABILITY

Buying a new personal residence means higher real property taxes, until now!

Homeowners (**≥ 55**, disabled, or those with destroyed homes), may **transfer the taxable value of their residence to a replacement** primary residence:

- **Anywhere** in California
- **Without regard to value**
- **Up to three times**
- **Within two years of the sale**

We will help you determine / qualify for eligibility & process the application.

Please visit <https://stansen.com/taxes/#Prop-19> for more.

EXAMPLE ANALYSIS	Cost Basis 5/1/1964	\$410,000
Cost Basis INCREASE Capital Improvements +		\$275,000
Estimated ADJUSTED COST BASIS		\$685,000
Less Any Existing Mortgage Debt		(\$423,000)
RPA Sales Price - 2022		\$3,150,000
ALL Closing Costs : Escrow, Title, Realtors		(\$220,500)
NET Sale Proceeds BEFORE Taxes		\$2,506,500
EST'D REPORTABLE CAPITAL GAIN		\$2,244,500
Tax Filing SINGLE	\$250,000	
Tax Filing MARRIED	\$500,000	(\$500,000)
EST'D CAPITAL GAIN subject to tax		\$1,744,500
9.3%	1-12.3%	\$162,239
15.0%	0%-15%-20%	\$261,675
3.8%	MEDICARE SURTAX	0
Total Estimated FTB + IRS Tax	24.3%	\$423,914
Est'd Distribution After Tax		\$2,082,587

LEVERAGE YOUR APPRECIATION

CONSULT **PAUL STANSEN** ► **818-512-1715**

Increased property value –appreciation – inevitably leads to tax on capital gains. If not exempt, some of that value increase is taxable as a Long-Term Capital Gain. **If you are considering selling**, you have **3 basic options**

- **Pass title at death** (with a **stepped-up basis**), or
- **Pay the Tax in the year of sale** (factoring in any **increase to cost basis**), or
- **Possibly Defer or Eliminate the tax** .. **YES**, there are tax strategies.

Let's sharpen the pencil to calculate how best to manage your gains. Number crunching, discussion, will lead to informed decision making and tax mitigation.