

# Dependent parents? Tax help available with trusts

Are you supporting your parents financially, either partially or entirely? If so, you may wish to investigate the possibility of setting up a Clifford Trust. Through a Clifford Trust, you can provide your parents with up to \$7,400 each year in tax-free income, while shifting that portion of your income from your higher tax bracket to your parents' lower one. That's the advice from Robert Oakwell, investor information specialist for Merrill Lynch, Pierce, Fenner & Smith.

Here's how it works. You may put income-producing assets, such as stocks, bonds or savings certificates into the trust, naming one or both of your parents as beneficiaries. You or someone you designate may act as the trustee, managing the assets and distributing the income (like interest and dividends) to your parents. The trust must exist for 10 years and a day at the end of its life or at the death of your parents, the principal reverts to you.

The first \$7,400 in interest or dividends the trust earns each year is dis-

tributed to your parents tax-free, if both your parents are over 65 and have no other source of income aside from Social Security. Any income above that is taxed, presumably at their lower rate.

**IF YOUR PARENTS** have other income from pensions, annuities, or other dividends and interests, they may receive a combined total of up to \$7,400 from these sources and trust income before paying taxes. If you set up a Clifford Trust to support only one parent, the first \$4,300 in income from the trust can be distributed tax-free, if your parent has no outside income other than Social Security.

You must distribute the income from the trust to your parents at least annually. Otherwise, you lose the tax benefit. If you let it accumulate, the IRS will tax the trust generally at a rate which is less favorable than that of a single person.

Be aware that if you take any capital gains from securities while they are in the trust, you, not the trust, will have to

pay the capital gains tax. The IRS considers all gains on the assets to be income earned by you.

**TO ILLUSTRATE** the benefits for you and your parents, suppose you put \$50,000 worth of stocks, yielding 10 percent, into a Clifford Trust to help supplement your parents' Social Security payments. In the first year, the trust would distribute the \$5,000 in interest to your parents. If your parents had no other significant amount of income, they could receive the entire \$5,000 tax-free.

In turn, you would be able to shift that \$5,000 in interest income away from your higher tax bracket. If you are in the 50 percent bracket, and \$5,000 is distributed annually over 10 years, or \$50,000, that's a \$25,000 tax savings for you.

# Mail-order guidelines explained

Does ordering merchandise through the mail or over a phone give you a sense of foreboding because of the distance and the uncertainties involved?

"Although people successfully order millions of items through mail order companies each year, many still feel that, as Murphy's Law states, 'If something can go wrong, it will.'"

While nothing can be done to reduce the distance involved, the uncertainties can be lessened somewhat if you understand your legal rights when ordering by mail or phone. Working together, the American Express Company, the U.S. Office of Consumer Affairs, and the U.S. Postal Service have produced a free brochure explaining what your rights are.

This brochure includes a wallet-size card summarizing your rights, and also provides tips on how to avoid problems before you order. For a free copy of "Mail Order Rights" send a postcard to the Consumer Information Center,

Department 816K, Pueblo, Colo. 81099.

Most mail order companies are legitimate firms that depend upon customer satisfaction and repeat business to support their operation. They want to resolve any problems or mistakes in your order quickly. If the offer sounds too good to be true, or if you have any doubts about the firm's reputation, check with the Better Business Bureau or a consumer protection agency where the company is located.

When ordering, never send cash. Problems can be resolved more quickly if you have records of your payment, so always send a check, money order, or use a charge or credit card. It is also important to keep records of what you did and what the company has done. Keep copies of the ad, order form, any correspondence, the company's name and address, and mailing costs.

Mail order rules state the company must ship your order within the time

promised. If they did not give a specific date, shipment must be within 30 days of receipt of your properly completed order with payment. If you use a charge card for payment, the 30 days start when your account is actually charged.

If there will be a delay in shipping your merchandise, the company must notify you, and you can either accept the new delivery date or cancel your order for a full refund.

Refunds must be mailed within seven days of receipt of your request, or, if you used a charge card, your account must be credited within one billing cycle.

If you receive unsatisfactory products, check the warranty or contact the company about replacement, repair or refund. If you believe that the product was fraudulently advertised, contact your local postmaster or postal inspector.

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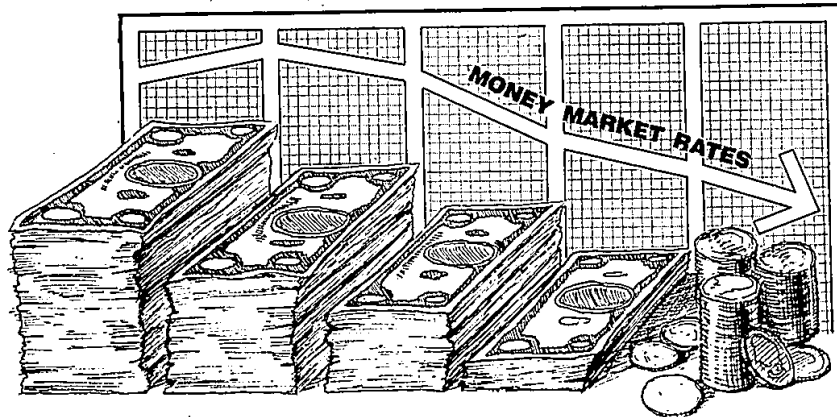
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# Secure Your Interest Income.



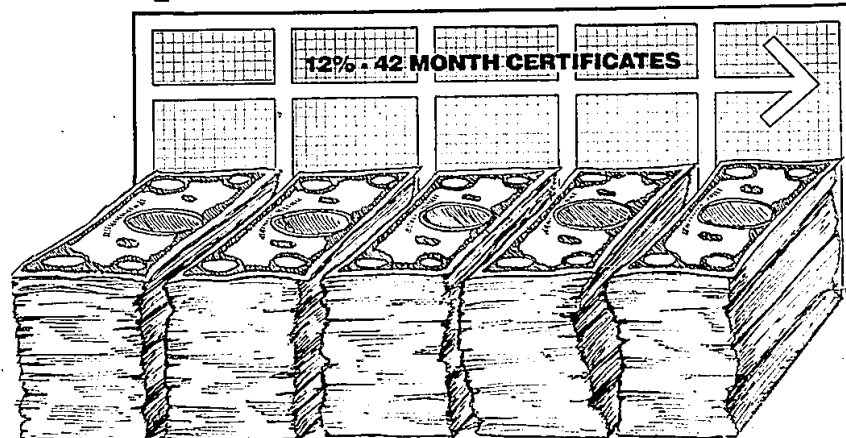
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