

## BALANCING ACT

June 2021

“At our Firm,  
Your Estate Plan  
is Not Business,  
it’s Personal...”



**Patrick P. Phancao**

Asset Protection, Estate Planning,  
Medi-Cal Planning and Business Planning

**Shadi Ala'i Shaffer**

Estate Planning, Probate Administration,  
and Trust Administration

### HIGHLIGHTS IN THIS ISSUE

- 01 Balancing Act
- 02 Possible Real Estate Tax Consequences
- 03 Book Review
- 03 Business / Health / Wealth Section
- 04 Welcome 2021!

“Two things are infinite:  
the universe and human  
stupidity; and I’m not  
sure about the universe”.

- Albert Einstein



You are likely well into ‘summer mode’ at this point. The list of vacation trips, activities and camps for the kids may be well on their way. June through August represent sea and sun, because it is an opportunity to spend more time with your loved ones. Of course, the pandemic in 2020 (and well into this year too! 😊) changed the dynamics, but the idea remains the same. Time for some relaxation.

However, as parents, you may feel like you never get a break! Between cleaning the house, juggling work or driving the kids around; daily obligations can be daunting. If you are like most parents, you tend

to forget about your needs, and everyone else’s wants and desires come first. Truth be told, that is a common trait and a natural act of love. These coming months however, let us try something new.

As you get older, you may notice jumping out of bed is getting a little harder. Picked up any toys left on the floor lately? That lower back isn’t as... pliable as it once was? This is the accumulation of either inactivity or over excursion. Whatever the cause may be, this isn’t a good sign and it’s time to make a change.

The first necessary step for a lasting habit is to focus on the perspective in which you are undertaking that change. Let’s say you want to start working out. If the first thought that comes to mind is one of guilt, this is what needs to be addressed. For many, what comes up is the time allocated to working out could be spent taking care of others. In the short run, skipping your workouts might enable you to squeeze in a few more things for others. That is 100% true. But the objective here is longevity and quality time spent with family. The lack of exercise, spread out over a period of years, effects your body and state of mind and will take its toll on you. You cannot deny that fatigue and body aches play a significant role in your mood.

Thus, it is imperative that you appreciate the importance of setting some time aside every day to take care of your body. Speaking from personal experience, I have noticed that my workouts now need to include longer stretching time. The goal is no longer maximum, but rather optimal output. As a college student, looking lean and muscular (and dare I say attractive?) were the sole objectives. Don’t get me wrong, it’s still high on the priority list 😊, but now the emphasis is one of efficiency and endurance, because my days are longer. The demands are one of intellectual and physical needs. For my mind to be sharp, its vessel (my body) must be well maintained.

Believe me, getting in a workout in the afternoon after client meetings and case management is tough!

*Continued on page 2*

## SPECIAL ANNOUNCEMENT

Welcome to the month of June! If you receive this newsletter, it is either because you have entrusted us with your estate planning and/or have been recommended by someone in our inner circle. That is why we want to take a minute to express our gratitude for your trust and loyalty towards us! But let us not get too sentimental here, and let’s get on with it!

Did you know that in the month of June, the Northern Hemisphere has the most amount of daylight hours in the year; while the Southern Hemisphere has the shortest amount of daylight hours. How’s that for some general knowledge!?!

Another interesting fact - June 21st is the longest day of the year, also known as **Summer Solstice**. Summer Solstice occurs when one of the Earth’s poles has its maximum tilt towards the Sun. Something else that makes June special is **Father’s Day!** A celebration that honors the role of fathers and male figures in our lives. In most countries, Father’s day is celebrated on June 20th.

**World Ocean Day** and **Environment Day** are also celebrated in the month of June.

We are reaching the mid-point of the year. This may be a good time to assess your goals and determine whether you need to do more of the same, or course correct. No doubt hardships come which cause changes in a person’s life. Heck, who knew we would still be dealing with a pandemic over a year later? However, it is imperative that you keep perspective. Let’s be honest with ourselves, had it not been COVID-19, surely we would have had to deal with another obstacle of some sort. Thus, as a nation, we need to learn to improvise and adapt to the situation.

The next three months should be filled with a little bit of relaxation as we are heading into the summer months. Get some rest, but remain above your competition. If the travel ban gets lifted, we will be doing some exploring of our own soon! Let us know about your adventures, and we will do the same! Talk to you next month!

## POSSIBLE REAL ESTATE TAX CONSEQUENCES

As the year continues to roll out under the new presidency, some changes are inevitable. One of the big topics under discussion at the moment, is the real estate tax change President Biden is proposing. This would have big repercussions, not just for big businesses, but small business owners across the nation. Let us look at what this implicates.



In a nutshell, higher taxes on real estate transactions with gains above \$500,000 would be imposed on sellers. The intent comes from a good place. We, as a nation, must provide funding for childcare, paid family leaves and education programs; and the budget for such noble causes would amount to \$1.8 trillion. That's a lot of zeros behind that 1.8. That represents a lot of taxes being imposed on the working class and entrepreneurs. President Biden intends to find a portion of it in real estate transactions.

Historically, the investor who earned a gain from a real estate investment did not have to deal with the tax payment right away. He or she could elect to do a like-for-like, or what is commonly called a 1031 exchange. This is where you can roll out the proceeds of one property into a larger one, whereby the benefit from the profit gained could be 'rolled over' onto the new real estate deal. Eventually, an individual could elect to proceed in that manner for years, if not a lifetime. What would often happen is that upon passing, the heirs of that investor would stand to gain a significant inheritance without taxes because of the step-up in basis. Many American fortunes were created in that manner.

According to a survey made by the National Association of Realtors, from 2016 to 2019, about 12% of real estate transactions were part of a 1031 Exchange. This represents a significant portion of real estate transactions nationwide, thus affecting a great deal of our population.

Well, should this new Biden law pass, that could change everything for such investors.

Under the new proposal, anything above a \$500,000 gain would be subject to immediate capital gains tax. Couple that with the fact that capital gains taxes are supposed to receive a significant hike, the financial landscape could change drastically. This could greatly alter the way in which investments are conducted, and the ability to generate generational wealth would be compromised. Entrepreneurs may be greatly discouraged in finding their luck in real estate because of this new tax.

As of the writing of this article, nothing has been agreed upon yet. However, the general outline does raise concern, and it would likely affect people like yourself, our audience. Out of the 12% of 1031 Exchanges that we mentioned earlier, 84% of those were done by small business owners. That is a massive majority going to the small Mom & Pop shops, not large corporations.

The ability for elders to wind down complex real estate commercial properties and transfer the wealth to simpler real estate holdings could also be compromised. As you can see, quite a few things would come into play should this new tax become law. Though the details are still unclear, one thing is certain – you need to review your schedule of assets. You must determine which properties in your portfolio could be affected should this real estate tax occur.

As we've always advocated, education and preparation are keys to success. Your estate plan and your legal advisor (hint hint! 😊) should be able to navigate you through this new challenge. Be that as it may, do not panic! Simply be aware of these potential upcoming changes. In the meantime, enjoy your summer and spend quality time with your family! Happy Father's Day to all the dads out there!

Taking these steps is simple, not easy. Having the discipline to adhere to this plan will make a world of difference in your finances. Can you qualify for a home then? Maybe not now, but come next year, watch the difference it can make to your underwriter once you have those pieces in place.

In a world and a time of uncertainty, it is nice to know that fundamentals do not vary! It is a reliable, go to formula that you can depend upon no matter what stage of life you find yourself in! We do not foresee a 'housing crash' like so many experts predict. With the strict lending criteria, the historical low rates currently in place, we may be in this strange bubble for some time.

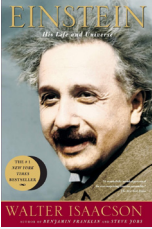
All you need to do is adapt and make yourself financially appealing no matter the economy. And what's underneath that foundation? You guessed right, a solid estate plan! 😊

*Continued from page 1*

But this creates a healthy repercussion throughout the rest of my day. When I get home, the Doritos bag doesn't come out as easily. Heck, who wants to add unhealthy calories after a healthy sweat? My decision making is one that comes from a better place because I have the energy to think through tough situations. My kids are happy to see me after school, so it is important that I match that energy. This all starts with a healthy body.

Allowing yourself an hour a day (minimum) for working out is an excellent habit, and summer is a perfect time to kickoff such a habit. Believe it or not, that habit will eventually turn into a lifestyle over time. Once that is imprinted into your DNA, the sky's the limit!

So that is the tip of the month to a great start for summer! Let us not forget that this month is Father's Day! Now, more than ever, is a great time to celebrate what it means to be a father. Charles Darwin, the "father of evolution" was also a devoted father of 10. In a time where childrearing was seen as women's work, he played a central role in educating and raising his children! Have a great June Everyone!



## Walter Isaacson “Einstein – His Life and Universe”

Talk about introspection. This book is an amazing read if you are at all interested in this now mythical character.

Albert Einstein was a rebel and nonconformist from an early age. These characteristic traits remained with him well into adulthood, and he even carried them with him as he entered the field of science. A subject matter not exactly known for its rebellious attitude. In the book, Walter Isaacson represents Einstein as a bold figure who had a strong sense of creativity. Ironically, it was Einstein’s initial ‘failures’ that led him to great discoveries. While working at the USPTO (United States Patent and Trademark Office), he would read and understand many of the patents being filed, and it sparked a fire in him that made him realize he had greater insight. His discoveries would go on to change the world and create new fields of physics.

As Einstein himself said, “*Intuition is nothing but the outcome of earlier intellectual experience.*” In the book, Walter Isaacson details how Einstein discovered some of the mysteries of the universe, which became the cornerstone of his identity. We do not wish to elaborate, as we are convinced you will love those stories! Isaacson is the first writer who released Einstein’s personal letters and had full access to all his papers. Einstein had published four papers so revolutionary that physics had not yet recovered from such theories. In 1905 Albert Einstein wrote a set of scientific papers where the famous equation  $E=mc^2$  was also included. These works alone changed the mindset of people from all walks of life on their perception of our universe, and became the foundation of quantum mechanics and general relativity.

With his research and insight, he always tried to make the world a place where everyone could live with great facilities and understanding of the world. The invention of the atomic bomb was also made after his research on subatomic particles, but that particular finding made him ashamed and horrified. He continued to do research and produce groundbreaking theories in the latter part of his life. He spent his time as a peace-lover and political activist. He continued to work even when he was hospitalized and suffering from an abdominal aortic aneurysm. Even after protests from his family, he refused to have surgical treatment and claimed he had spent his time on earth.

On his deathbed, he wrote twelve pages of equations and his personal statement. With his success, he also paid attention to his failures which helped him become a man who is still alive in all our minds today, and has made him a pop culture phenomenon. This biography gives the reader a lot to think about, and would be a great read to kick off the summer!



## It’s Time To Talk About Lifestyle

*Life! What a beautiful gift! Life is the one thing that should be spent with style, and you should aim to have that style become your identity. There are a lot of ways to live a fulfilled life and in a world of sorrow and worries, you need to live a life full of happiness. People find happiness in many things. For some, it’s money, others it’s family, while others put experiences at the forefront! None of these means are inherently good or bad, it is the manner in which you go about your day that can set the tone.*

*Let’s face it, in this era, the amount of time most of us spend in front of our phone is obnoxious! Have you ever looked at the average number of hours you spend in front of a screen? You would be horrified! These billion dollar companies know what they’re doing, and the constant time spent on social media feeding you dopamine hits can be an endless cycle. Again, the technology itself is fine, it is our failure to set proper parameters around that tool that can make things detrimental. In a time of social media, be different, and go spend time with people!*

*Don’t chase happiness, spread happiness and love with everyone you come across. Work on building long term relationships. Yes, those take more time and energy. These connections also help with your serotonin level, which is a hormone that lasts longer in your system and has been shown to create longer, happier lives. When someone laughs and becomes happy because of you, that moment and feeling are priceless.*

*As everyone knows, a sound mind lives in a sound body. When you are unfit and mentally stressed, how can you enjoy life? Exercise is imperative to a sound starting block, and it is the main recommendation by The Happiness Project. Regular exercise can make you healthy, happy and mentally relaxed. Exercise is an activity that produces endorphins in your brain. Endorphins keep you joyous and that’s why it’s called a happy hormone. Break times and vacation times are legally mandated for a reason, so that you can refresh your mind and focus on your work properly.*

*As we step into the remainder of the year, most of us have spent a good amount of time ‘harvesting’ on our business. There is nothing wrong with taking a small break to enjoy your surroundings a bit. Try to stay away from toxic people, make new relationships and see where this summer takes you. Keep an open mind for adventures as your kids drag you to unknown activities. Make the best of the month and the rest of the year!*





ASSET PROTECTION & ELDER LAW CENTER  
FOUNDED BY PHANCAO & SHAFFER, LLP



17702 Mitchell North #101  
Irvine, CA 92614  
714-966-2646

PRE-SORTED  
STANDARD  
U.S. POSTAGE  
PAID  
CORONA, CA  
PERMIT NO. 799



Patrick P. Phancao  
&  
Shadi Ala'i Shaffer



June is the month which gives you time to rethink the life's goals you have set for the year. We hope 2021 is looking brighter and providing you with greater prospective along the way. The U.S. has been blessed with the most amount of vaccines available to its people. Well, next to Israel. It is likely that if you are going to travel, without being political, it may behoove you to get the shot. In the meantime, there are plenty of things to do in Southern California. It's not a bad place to be after all! If you are in Orange County, there is the Tustin Street Fair & Cook-off happening in June that is a great event. It is too early to tell if Day of Music will happen this year, but if so, that would also be a great activity in which to take your family!



Whatever you choose to do, when it's time to take care of your financial and legal needs, we are here for you this whole summer! Talk to you next month!