

TAX PLANNING - REDUCING THE TAX BURDEN

CHAPTER TEN:

As a companion to the preceding chapter, this chapter contains a number of planning suggestions which may be useful to reduce anticipated Federal Estate Taxes.

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Planning Exercise 18

Having completed the above exercise, you now have some idea of the amount, if any, of estimated Federal Estate Taxes which may be due.

<u>Spouse</u>	<u>Self</u>
___ yes ___ no	___ yes ___ no

1. Do you think this tax is substantial?

<u>Spouse</u>	<u>Self</u>
___ yes ___ no	___ yes ___ no

2. If you could do something to reduce the amount of estate tax potentially due, would you?

<u>Spouse</u>	<u>Self</u>
___ yes ___ no	___ yes ___ no

Non-Marital Trust

3. In order to reduce estate taxes, would you consider upon your death placing a portion of your estate into a separate trust for your spouse's benefit rather than giving the property outright to your spouse?*

<u>Spouse</u>	<u>Self</u>
___ yes ___ no	___ yes ___ no

4. If you did this, would you want:

a) her/him to receive _____ all _____ a portion of the income from the trust property during her/his lifetime?

<u>Spouse</u>	<u>Self</u>
___ yes ___ no	___ yes ___ no

b) her/him to have the right to withdraw (annually from the trust assets (principal)) the maximum amount allowable by federal law (i.e. 5% of the trust assets or \$5,000, whichever is greater, each year but not to be accumulated from year to year if not exercised)?

<u>Spouse</u>	<u>Self</u>
___ yes ___ no	___ yes ___ no

c) her/him in your trustee's best judgment, to receive amounts from the principal (and accumulated income), in addition to the above, to meet her/his needs for:

<u>Spouse</u>	<u>Self</u>	
_____	_____	maintenance
_____	_____	comfortable support
_____	_____	health care
_____	_____	travel
_____	_____	education
_____	_____	other: _____

<u>Spouse</u>	<u>Self</u>
___ yes ___ no	___ yes ___ no

d) her/him to have the right upon her/his death to direct to whom the unused balance of the trust property would be paid to (but not to his/her estate, creditors, or estate creditors).

*But with your spouse having limited access to the property in the trust.

Lifetime Gifts

(Appendix N Summarizes Applicable Gift Tax Laws.)

___ yes ___ no

___ yes ___ no

5. In order to reduce Federal Estate Taxes, would you consider:

a) making gifts of up to \$11,000* annually to:

Spouse

Self

_____ children

_____ children's spouse

_____ grandchildren

_____ other: _____

___ yes ___ no

___ yes ___ no

b) making larger gifts

___ yes ___ no

___ yes ___ no

c) making gifts to charities

_____ during lifetime

_____ at death

_____ through deferred giving

___ yes ___ no

___ yes ___ no

d) making gifts for educational tuition or medical care for services provided to a child or grandchild or other person you want to benefit?

___ yes ___ no

___ yes ___ no

6. Would you consider making gifts if it could be done through the use of trusts rather than outright gifts?

NOTE: Gifts may not be made directly to minor children. I have written Appendix O to summarize the different ways property may be given to minors.

Other Tools

___ yes ___ no

___ yes ___ no

7. There are a variety of more complicated techniques available to help reduce the potential tax burden. Do you agree you should consult with a tax advisor regarding these as well as the techniques outlined above?

*Indexed annually for inflation.