

BAKER & STALZER

Attorneys at Law

Estate Tax Planning

What is Estate Tax Planning?

Estate tax planning is the process of developing a strategy for the distribution of your property after your death, so that your property goes to the persons you want to benefit, and in a way that minimizes or avoids federal estate taxes.

Who Needs Estate Tax Planning?

Anyone who owns enough property to be subject to federal estate taxes. For 2009, that means anyone with a total net estate valued at more than \$3.5 million.

To see if you are over the \$3.5 million federal exemption amount, you should add up the value of all your property and assets. This generally includes your primary residence, any other real estate you own, bank accounts, brokerage accounts, stocks, bonds, 401(k) plans, IRAs, any interest you own in a family business, automobiles, boats, valuable art objects or collectibles, jewelry, home furniture and furnishings, plus the benefits payable under any life insurance policies on your life, less your outstanding debts.

Remember, life insurance is generally subject to estate tax, unless the policy is owned in an Irrevocable Life Insurance Trust (ILIT).

How High Are the Federal Estate Tax Rates?

For 2009, the estate tax rate is 45%. So, if you have a net estate valued at \$4 Million and die in 2009, the federal estate tax due would be approximately \$225,000. For a net estate of \$5 Million, the tax would be approximately \$675,000. For a net estate of \$6 million, the tax would be approximately \$1,125,000.

Wow, That's a Lot of Tax. Can the Federal Estate Tax Be Avoided?

Yes. We can help you establish a plan that in most cases will avoid or substantially reduce your estate tax.

How Do These Plans Work to Avoid Estate Tax?

In many cases, we use Trusts structured to ensure that married couples utilize both of their \$3.5 Million exemptions. Without the use of these Trusts, one of the exemptions is usually lost, resulting in estate tax being due that could have been avoided. In other cases, we use Trusts designed to hold life insurance proceeds or benefit charitable organizations, which also have significant tax benefits and may help you avoid the federal estate tax.

Is Estate Tax Planning Just For Older People?

Absolutely not. We work with many younger clients, who often need estate tax planning because they have purchased significant amounts of life insurance to protect their young children. It is wise to plan ahead to protect your family, and not lose 45% or more of your estate to the IRS.

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