



The New Estate Planning World (for the next two years)

Well, they did it!! Washington passed The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, (2010 Tax Relief Act) and it was signed into law by President Obama on December 17, 2010. The 2010 Tax Relief Act changed the exemption limits and tax rates for estate taxes, gift taxes and generation skipping taxes, but for only 2011 and 2012!

We now have a \$5 million exemption and a maximum 35% tax rate. It all sounds good, except this is a temporary fix: the provision sunsets in 2012, leaving us back where we were at the start of 2013: a \$1 million exemption and 55% tax rate unless, again, new laws are enacted.

The Legislation, for the first time, will "unify" the estate, gift and generation-skipping taxes, with one \$5 million per-individual exemption for all three. In recent years the exemptions for the three levies have been out of synch, complicating succession planning and estate tax planning. Having one exemption level apply to everyone presents some extraordinary planning opportunities.

For example, if a taxpayer made a \$3 million taxable gift during life, his estate would then have \$2 million with which to shelter other assets from tax. If another taxpayer left \$4 million to a generation-skipping trust for grandchildren at death, then \$1 million would be available.

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Although this unification simplifies the planning process, there are some nuances that exist. For example, the estate tax and gift tax exemptions are portable between married couples but portability is not available for the Generation Skipping Tax.

Here's how this works: At John's death, his estate uses \$2 million of his \$5 million exemption, and the other \$3 million carries over to his surviving spouse, Mary. She can shelter \$8 million of assets from estate taxes, but only \$5 million of that can be used to protect against generation-skipping taxes.

The legislation makes no changes to the annual gift-tax exclusion, which is currently \$13,000. The law allows anyone to give as much as \$13,000 of cash or assets a year to any other individual, free of tax. There is no limit on the number of gifts, as long as they are made to different people.

The new legislation provides a window of opportunity (2 YEARS) to accomplish some unique gift and wealth transfer goals for your clients and prospects. If you would like to discuss some planning options for your clients, give your local Larry Gordon Agency a call today.

At LGA no case is too large, too small or too complicated.

**FOR MORE INFORMATION ON
THE 2010 TAX RELIEF ACT CONTACT:**



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