

Estate Tax Planning

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This sample PowerPoint® presentation was prepared using the *Auto Generate* feature in the **BNA Estate & Gift Tax™ Planner**.

Overview of Estate Planning

An estate of any size can be reduced by the lack of good estate planning. This can result from many factors, including poor management of wealth, payment of taxes and expenses that might have been avoided with proper planning, and business succession problems.

- Primary objectives:
 - Preservation of property so that you receive its maximum benefits during your lifetime
 - Transferability of property with the minimum of shrinkage and maximum of ease
- To achieve these objectives, you want to:
 - Minimize estate taxes
 - Reduce probate and other property transfer costs
 - Preserve and enhance net worth
- Determining your personal objectives is an important first step!

Estate Tax Overview

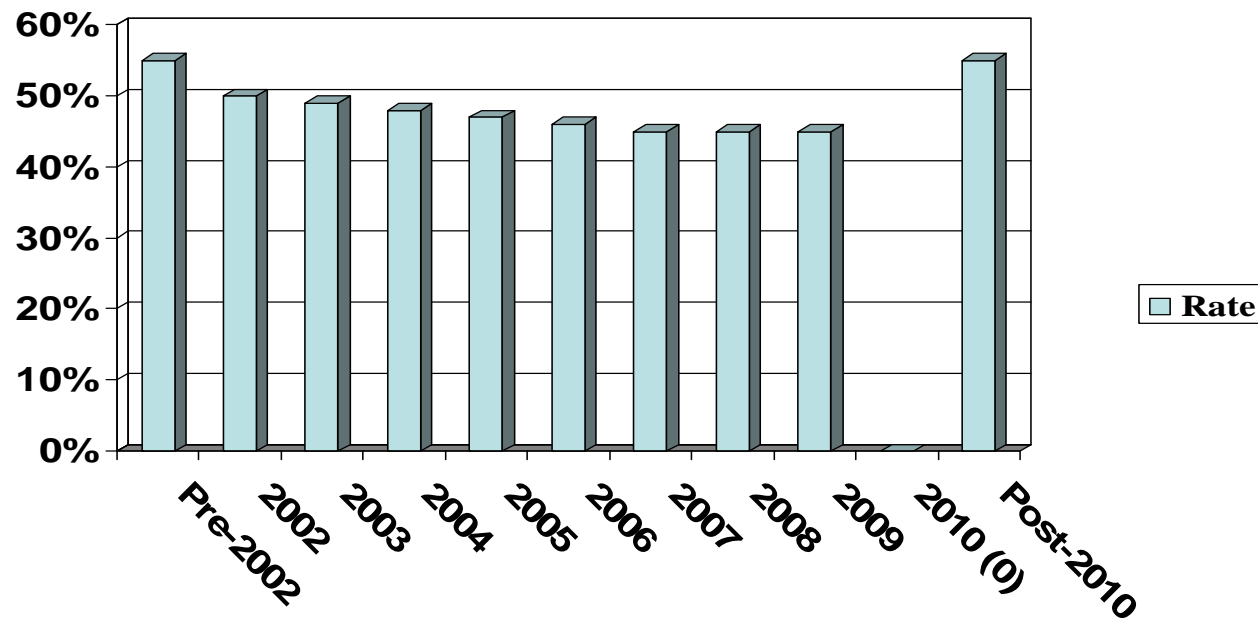
In recent years, changes have been made to the estate tax. Both current and future years have been affected.

- The estate tax is imposed on estates over \$1,500,000 in 2004 and 2005, over \$2,000,000 in 2006 through 2008, and over \$3,500,000 in 2009. (This is the “exemption equivalent” of the “unified credit” amount.)
- In 2011 and later years, the estate tax will be imposed under pre-2002 rules. At this point, the exemption will again be \$1,000,000

When the “Continue 2009 Law” option is selected (in Assumptions pane), the program applies the 2009 law (45% top rate, \$3,500,000 exemption, etc,) to all years after 2010.

Top Estate Tax Rates

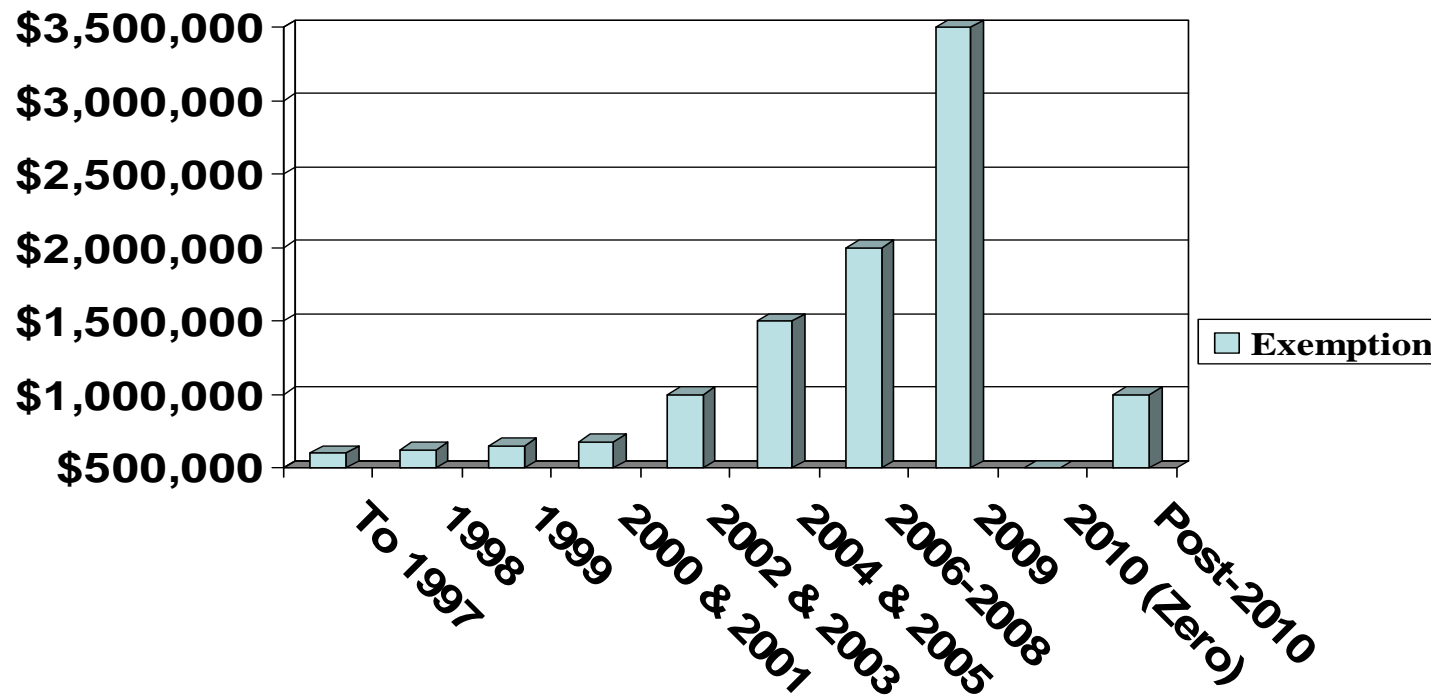
*The estate tax rates are gradually reduced through 2009. After 2010, however, the estate tax is imposed under pre-2002 rules.**



** When the "Continue 2009 Law" option is selected (in Assumptions pane), the program continues the 2009 maximum rate (45%) into 2011 and later years.*

Estate Tax Exemption

*The estate tax exemption is gradually increased through 2009. After 2010, however, the estate tax exemption will again be \$1,000,000.**



** When the "Continue 2009 Law" option is selected (in Assumptions pane), the program continues the 2009 exemption (\$3,500,000) into 2011 and later years.*

Reducing the Estate Tax

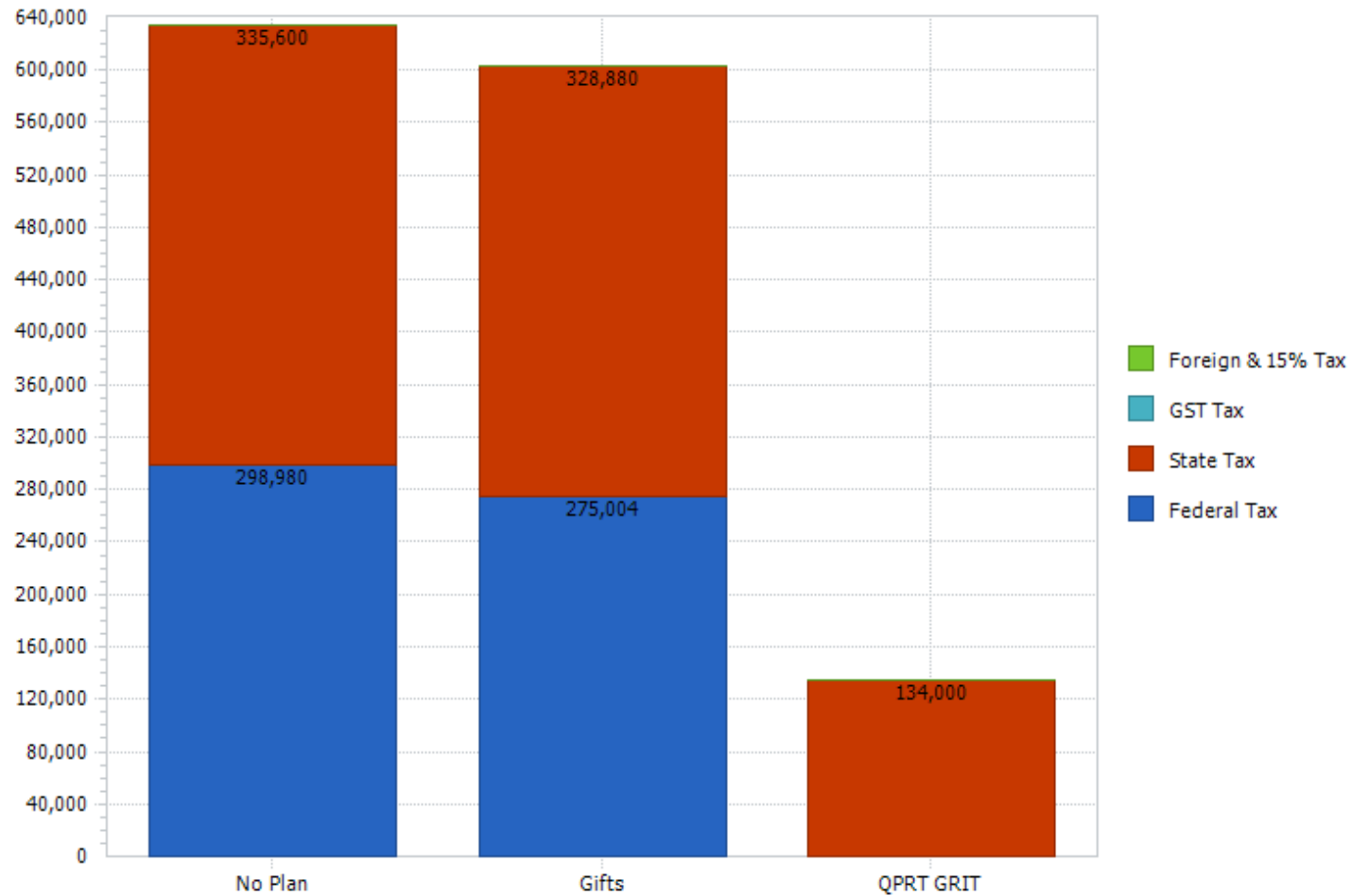
There are a variety of methods to reduce the estate tax:

- Estate tax exemption
 - **(the unified credit amount) directly reduces the estate tax**
- Lifetime gifts
 - **can shelter \$13,000 per donee per year (\$12,000 in 2006 – 2008). (This exclusion is indexed for inflation.)**
- Marital deduction
 - **provides an unlimited deduction for transfers to a surviving spouse**
- Charitable trusts
 - **reduce the estate tax while donating to charity**
- Insurance trusts
 - **remove assets from the estate and provide for cash needs after death**
- Valuation discounts
 - **are often available to shelter part of any family business interests**

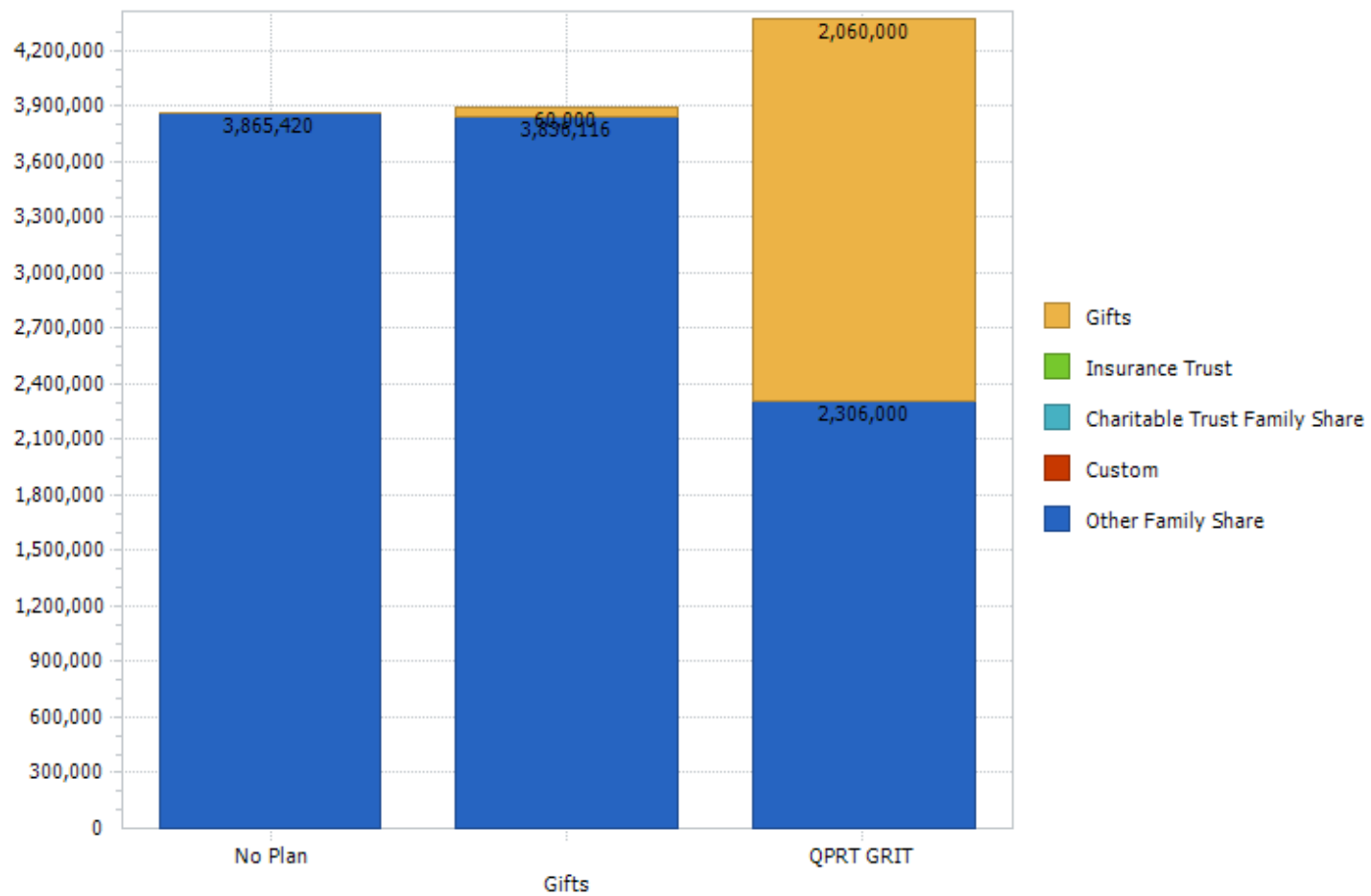
In addition, the payment of the estate tax that is attributable to a family business may be made in installments over a 14-year period.

Total Death Taxes

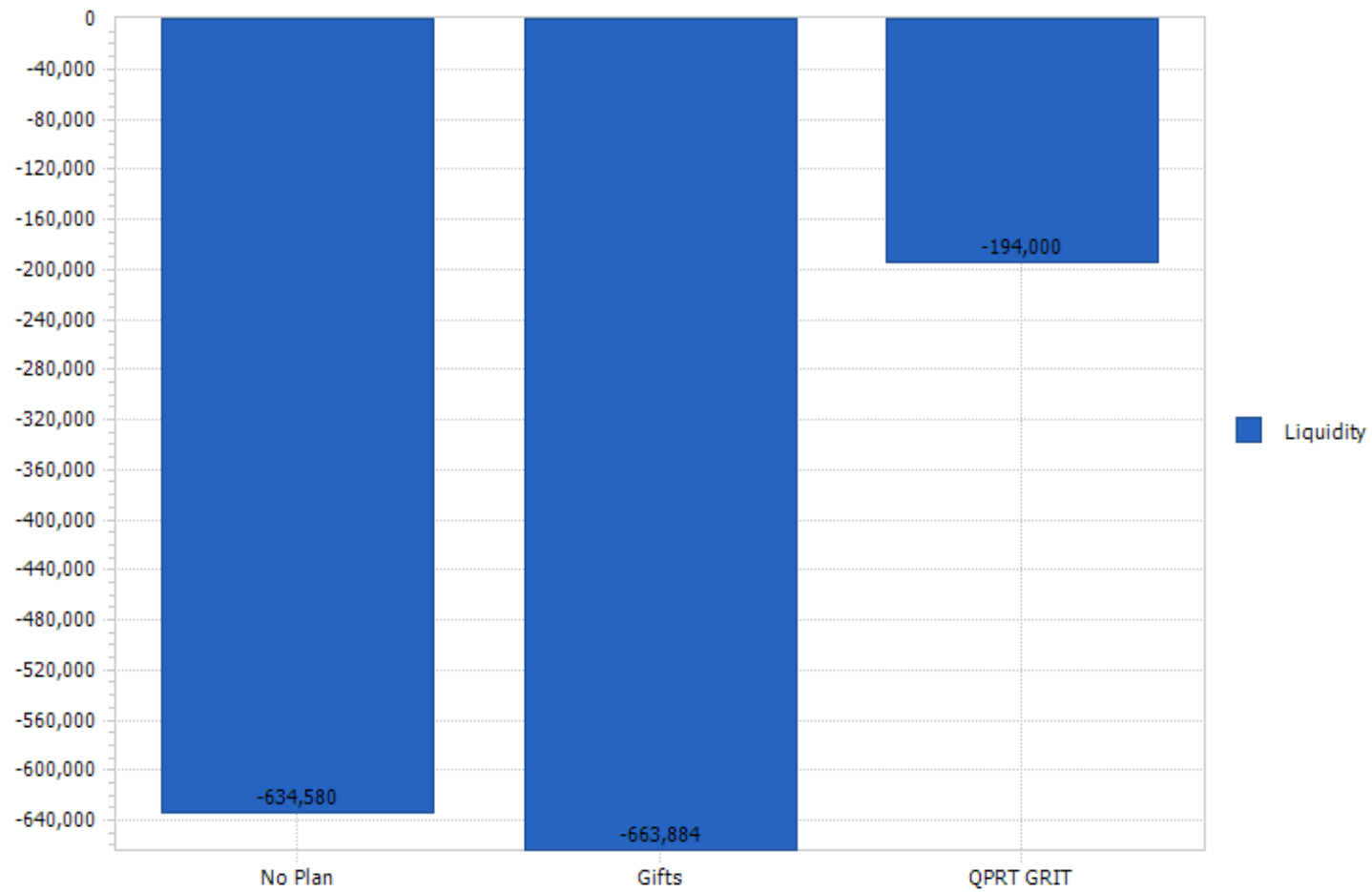
Total death taxes for each case, identified by component



Total Family Share Breakdown of the Family Share



Liquidity

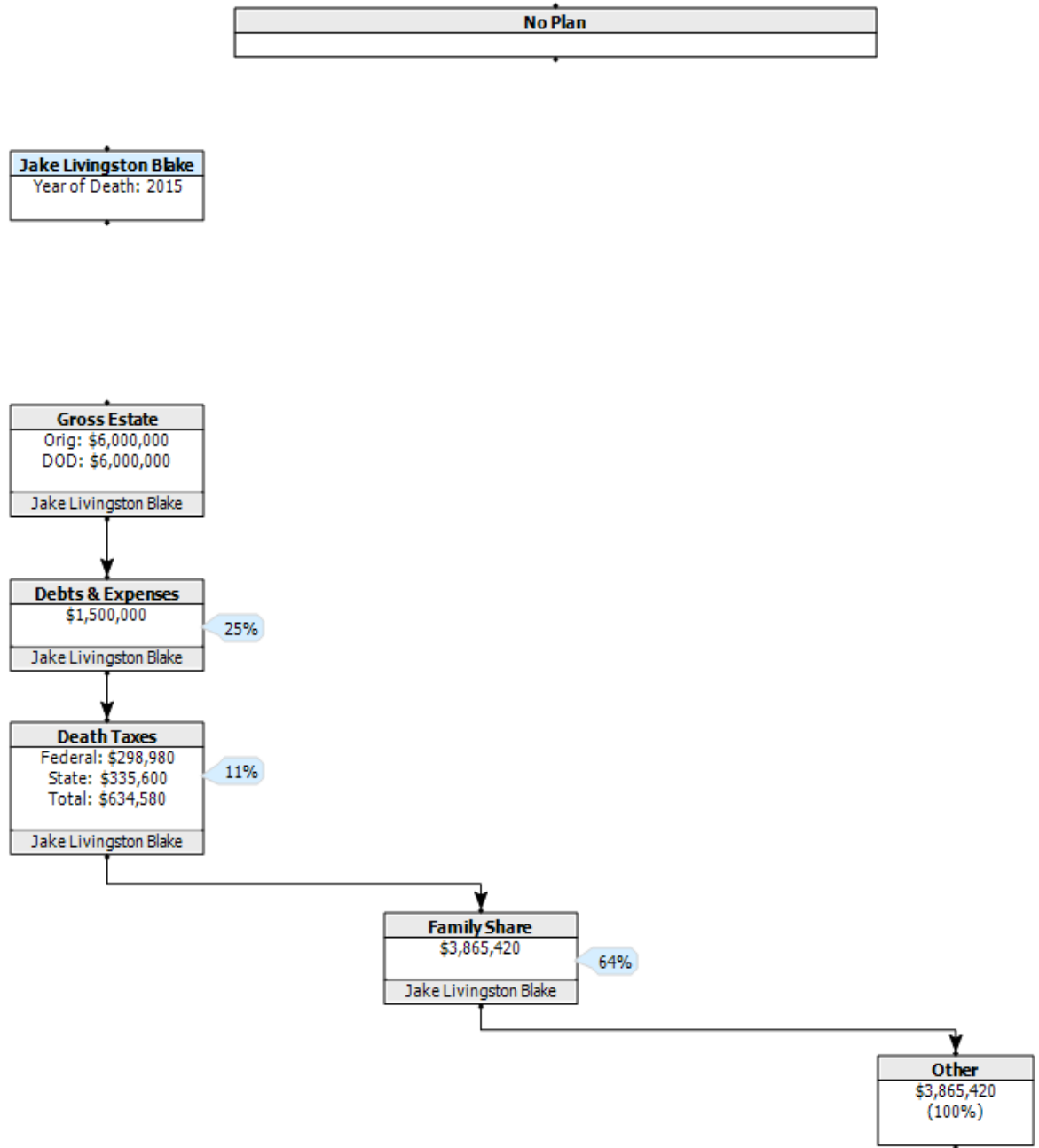


Case Scenario Overview

Case 1: This case illustrates the estate tax consequences that accrue if no estate planning is undertaken for a single decedent.

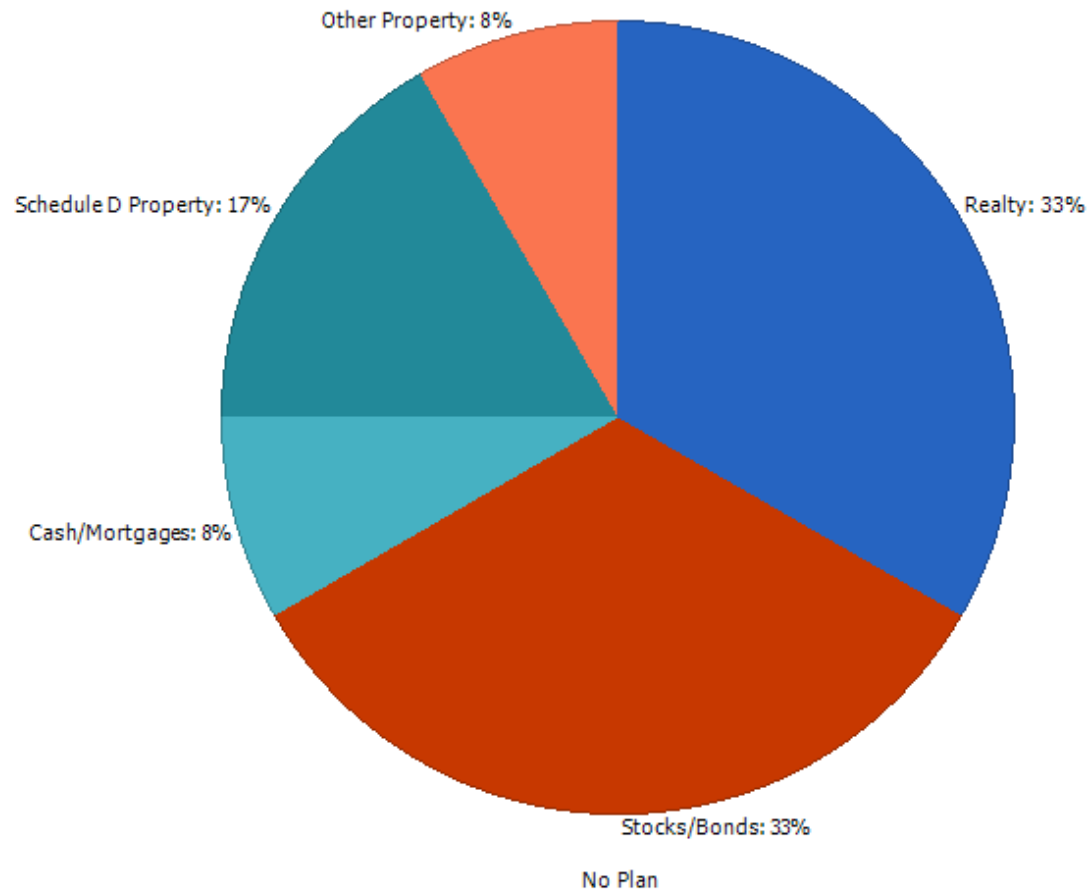
Case 2: This case quantifies the tax benefits of making annual gifts that qualify for the present interest exclusion to the gift tax.

Case 3: GRIT (QPRT): This case is identical to Case 2, except the decedent also sets up a Qualified Personal Residence Trust.

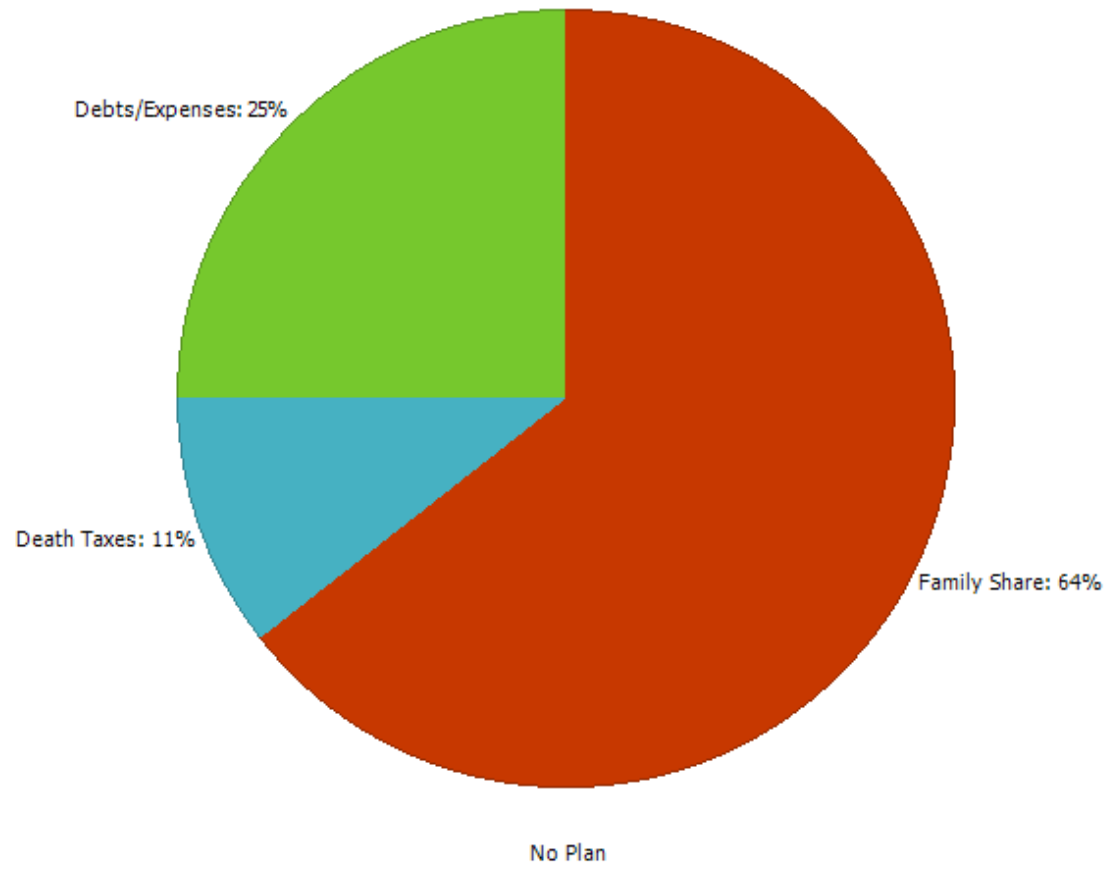


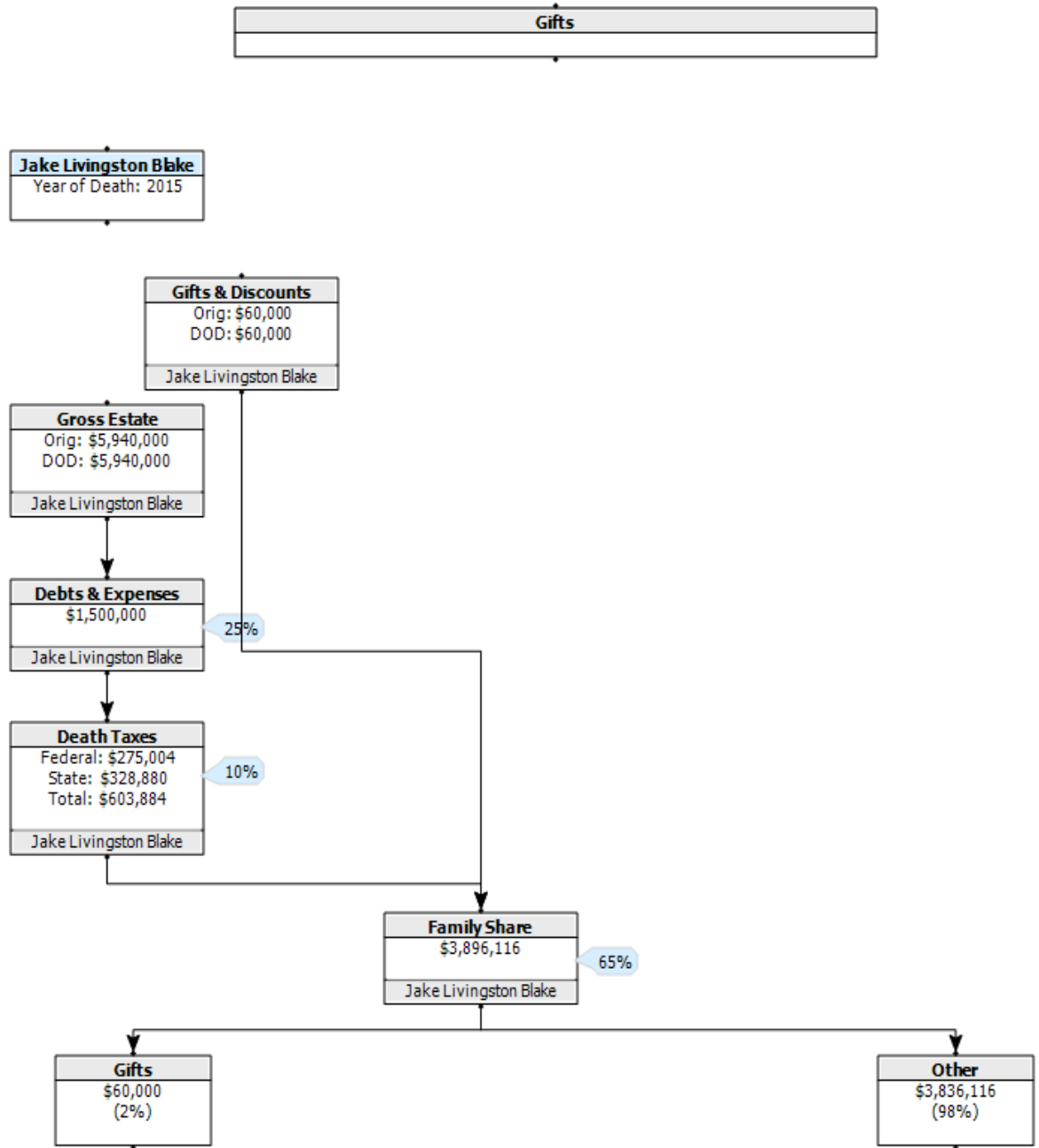
This flowchart shows the flow of property from the Gross Estate into its various components.

Gross Estate - No Plan - Jake Livingston Blake Composition of the Estate by Type of Asset



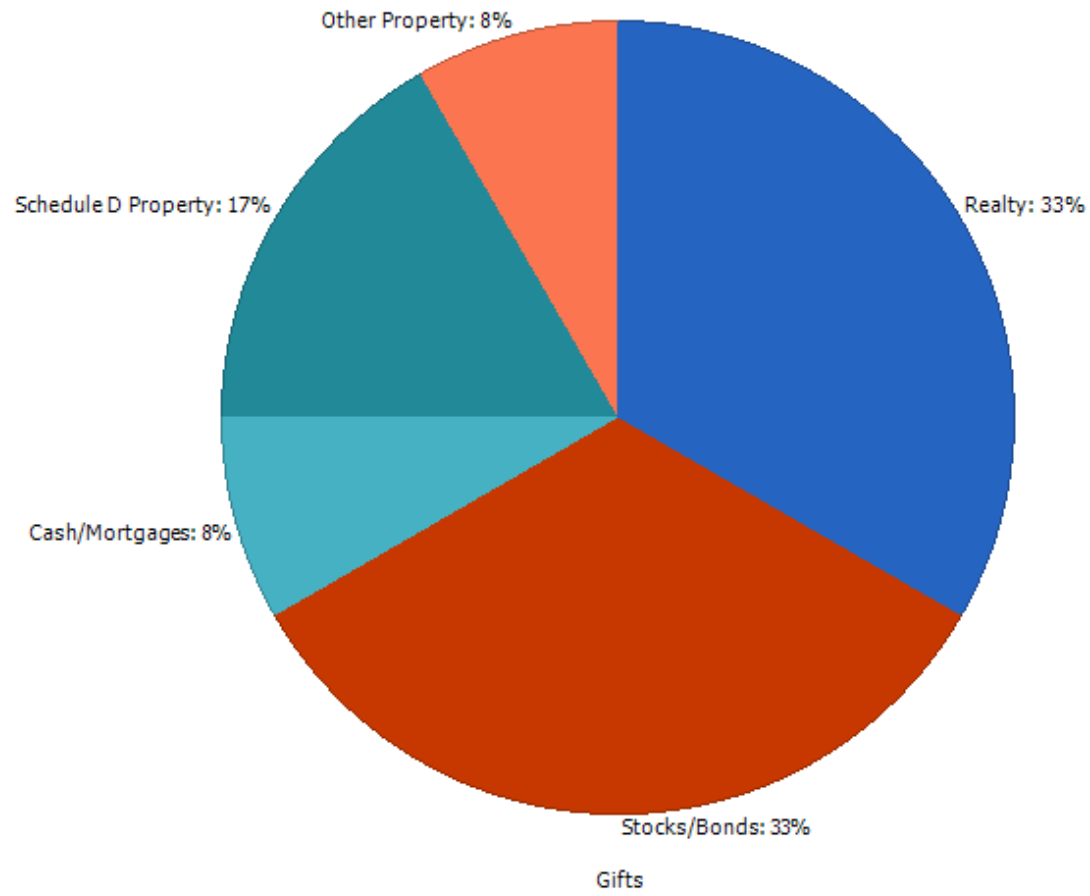
Estate Distribution - No Plan - Jake Livingston Blake
Death Taxes \$634,580 : Family Share \$3,865,420



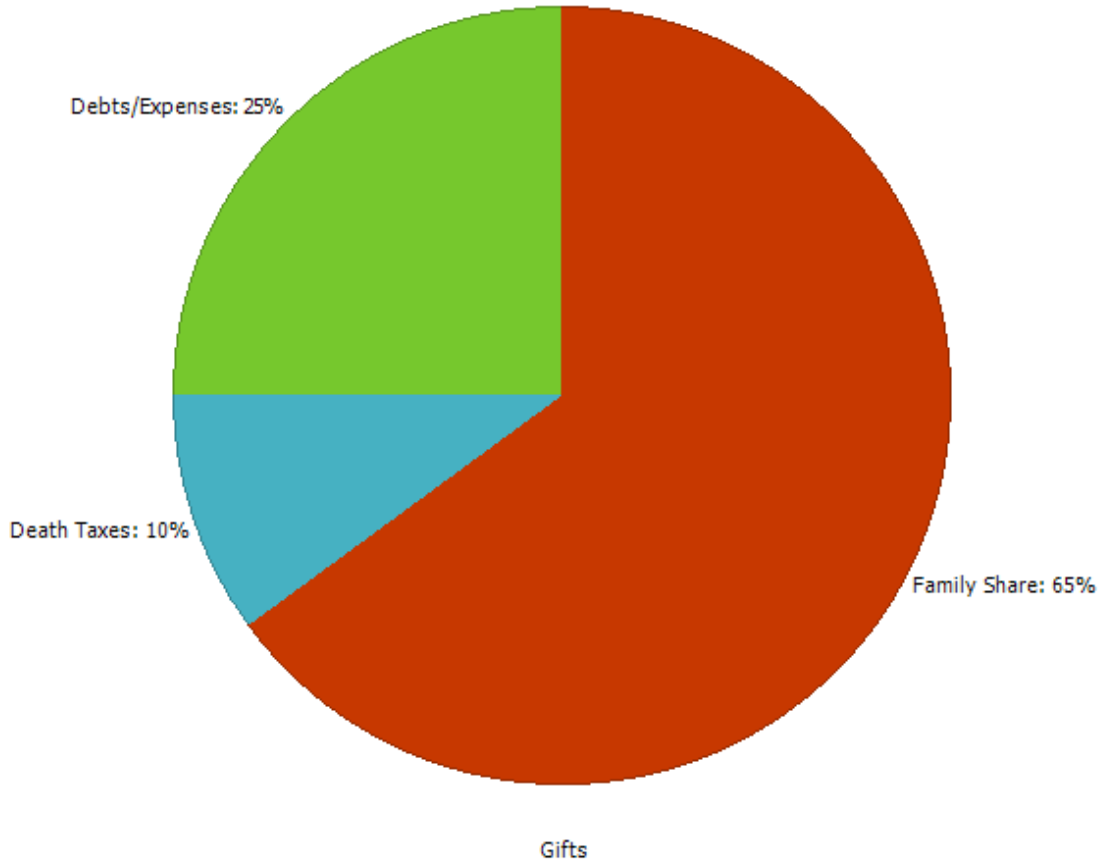


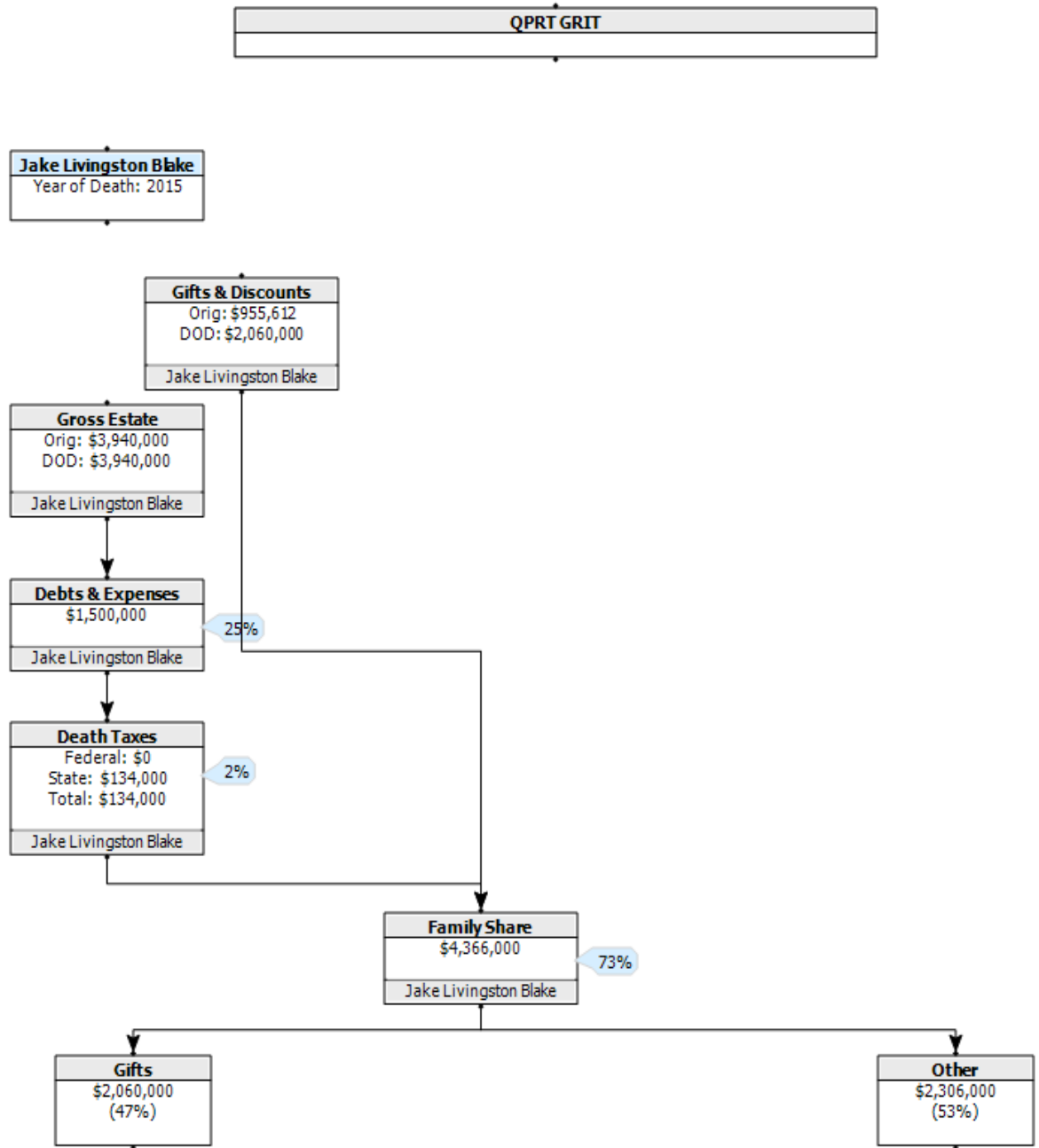
This flowchart shows the flow of property from the Gross Estate into its various components.

Gross Estate - Gifts - Jake Livingston Blake Composition of the Estate by Type of Asset



Estate Distribution - Gifts - Jake Livingston Blake
Death Taxes \$603,884 : Family Share \$3,896,116

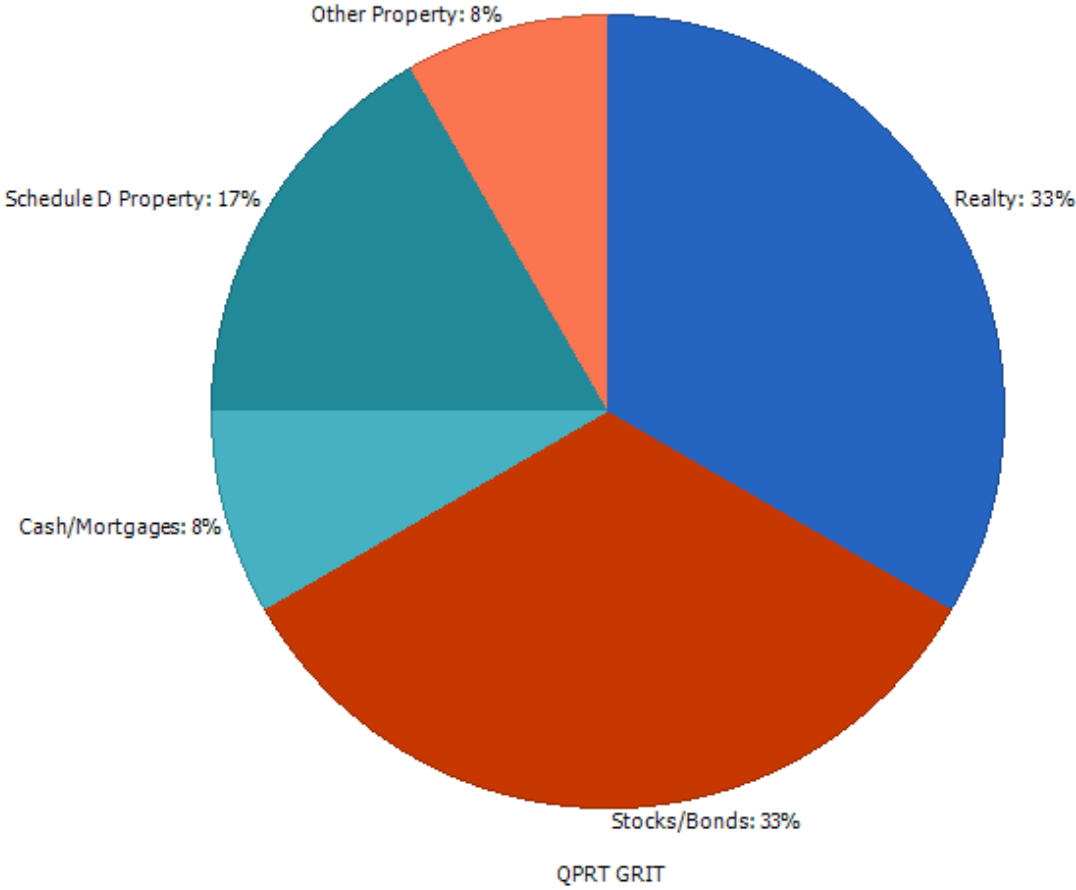




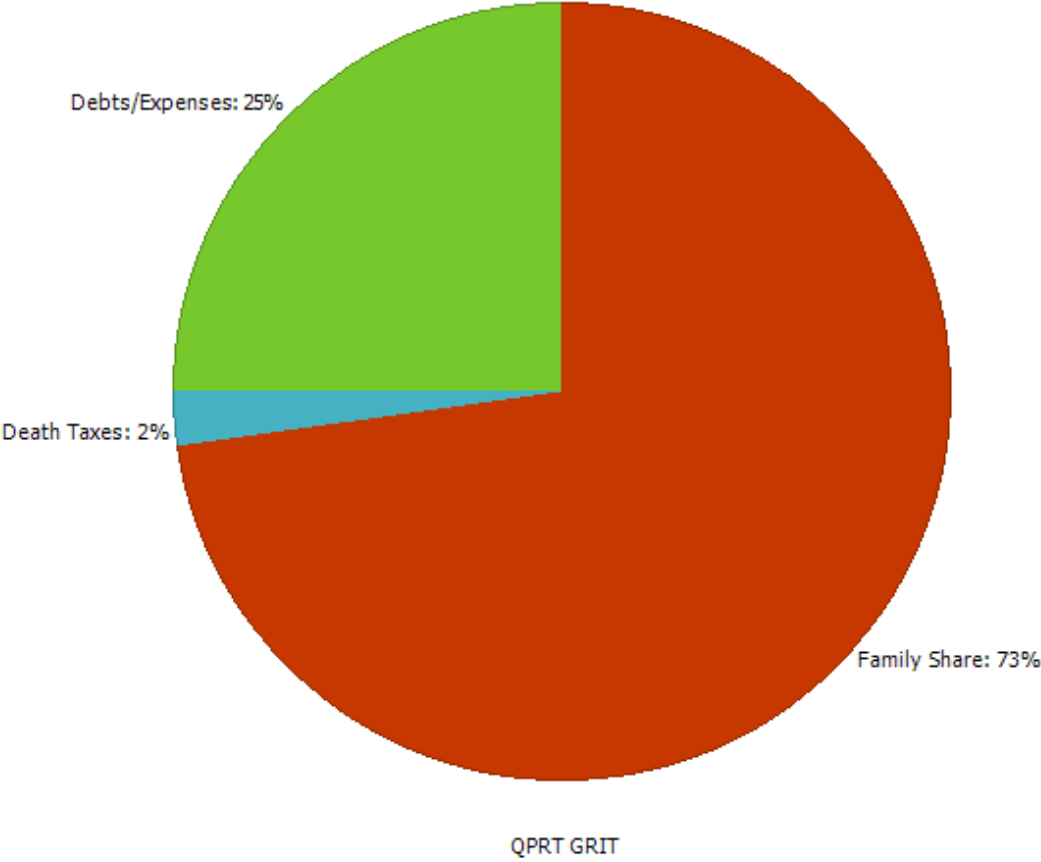
This flowchart shows the flow of property from the Gross Estate into its various components.

Gross Estate - QPRT GRIT - Jake Livingston Blake

Composition of the Estate by Type of Asset



Estate Distribution - QPRT GRIT - Jake Livingston Blake
Death Taxes \$134,000 : Family Share \$4,366,000



Advice

- This presentation has demonstrated the death taxes and Family Share using facts that represent your projected estate.
- This analysis shows that the planning techniques shown in Scenario 3 increases the Family Share passing to heirs.
- We hope this presentation has given you an outline of how the estate tax operates, and the importance of proper estate planning.