



US Congress and the Greatest Gift Ever!

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2011-2021 may prove to be the most productive years from an economic standpoint. To avoid a double dip recession, Congress has extended the Bush tax cuts until 2013. Partially buried in this extension is what may very well turn out to be the greatest estate tax and asset protection planning opportunity we will ever see in our lifetime.

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***“There are two systems of taxation in our country:
one for the informed and one for the uninformed.”***

-Honorable Learned Hand, US Appeals Court Justice

THE GREATEST GIFT EVER (BY CONGRESS)

Our most generous politicians in Washington have delivered a planning opportunity that could effectively shelter trillions in American wealth from both federal and state inheritance taxes

Until New Year's 2013, parents that pass away with estates up to \$10.24 million will not have to pay any federal estate tax. (This assumes you have the proper will and titling to go along). This is not, however, a free pass from NJ state inheritance tax. However, you can take steps to eliminate this tax as well.

It's also important to note that for residents of New Jersey or New York there exists an inheritance tax. While the federal exemption is now \$10.24 million, the state exemptions are much lower. For example, New Jersey has an individual exemption of \$675,000. New Jersey and New York have rates that fluctuate between 10% and 16% on all assets above the exemption. This would mean that a \$10 million estate would wind up having to pay approximately a \$1 to \$1.6 million in state inheritance taxes!

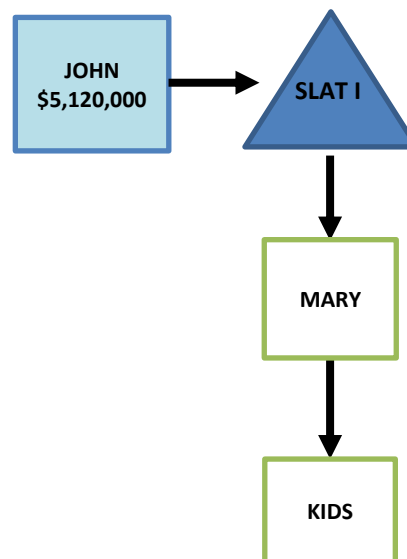
THE FACTS

- The Unified Credit Exemption has increased from \$3.5 million to \$5.12 million a person.
- The Lifetime Gift Exemption (***this is the big one***) has increased from \$1 million to \$5.12 million a person. **That's a 500% increase!**
- The Generation-Skipping Gift Amount (the amount that can be gifted that can **pass through multiple generations**), has increased from approximately \$1.4 million to \$5.12 million a person. (***Yes, this is big too!***)

THE TECHNIQUE-SPOUSAL TRUSTS

A "Spousal Lifetime Access Trust" or SLAT is a type of trust that is created by one spouse for the other. This trust is irrevocable, simply that means you cannot change the provisions written when the trust is drafted. The "directions" that are built in are the provisions you live with. It's one of the reasons why we at **Integrated Wealth Management** advocate not only strength, but significant flexibility in the dispositive (instructions) language chosen.

SPOUSAL LIFE TIME ACCESS TRUST



As you can see in the illustration above, John creates a trust for the benefit of his wife Mary. During Mary's life she has rights to principal and income. When Mary dies John's children step in as the remainder beneficiaries. This trust can also be "generational" in design so that the trust can be maintained in perpetuity.

We can place any asset that can be "titled" into this trust, from real estate to stocks, bonds, mutual funds, cash, etc.

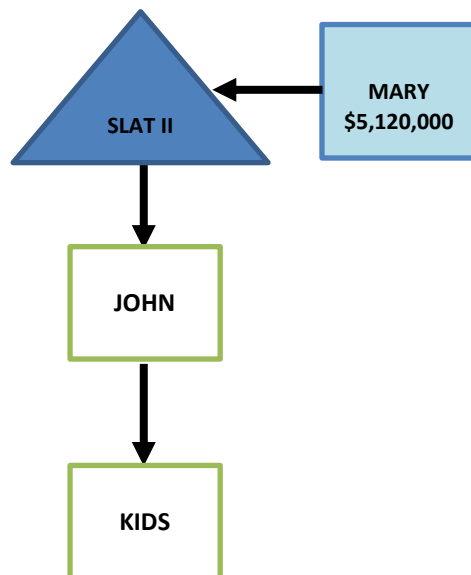
So without using any more involved and potentially complex leveraging techniques you can transfer (until New Year's 2013) up to \$5.12 million of assets into your trust. You can also use transfer to this trust any life insurance you still own that is currently

within your exposed estate. If you didn't know already, life insurance routinely is a tax-free benefit to the spouse but not exempt from the estate tax.

Well, mom has a trust that she is the beneficiary of, now it's dad's turn.

Mary will create a similar* trust for John and the kids effectively doubling the amount they can protect for each other and the family. \$5.12MM becomes \$10.24MM.

**In creating these trusts it is very important that you do not run afoul of the "Reciprocal Trust" doctrine. In essence the trusts can't be identical. Similar, yes, Identical, no.*



So if you take action during this clear window of opportunity and the laws change, and Congress votes to reduce the lifetime exemption, you will have saved your family an enormous amount of \$\$\$\$. And let's not forget about the overall savings to generations beyond. The numbers can become astronomical.

Sure times are tough. Unemployment, Housing prices, the stock market, etc. Who has the time or energy to think about estate planning?

YOU DO!

Congress is betting that taxpayers will not doing anything between now and the end of this year.

This is truly a once in a lifetime planning opportunity.

If you'd like to have your family financially protected.

If you would like your family to be able to avoid this onerous burden, I suggest you contact us immediately for further advice. The call is free, the advice could be...well you know.

The clock is ticking...