



YOUR WINDOW OF OPPORTUNITY IS NOW

*Take advantage of 2011 & 2012
gift tax savings!*

Welcome

2011 Estate, Gift and GST Tax Changes – A Window of Opportunity

Presenters






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2010 Tax Relief Act (December 17, 2010)

- Higher exemption amounts 
- Lower tax rates 
- Portability of estate tax exemption 

Summary of New and Old Gift and Estate Tax Rates and Exemptions

Year	Lifetime Gift Tax Exemption	Total Gift and Estate Tax Exemption*	GST Tax Exemption	Gift, Estate and GST Taxes Top Rate
2011	\$5,000,000**	\$5,000,000**	\$5,000,000**	35%
2012	\$5,000,000**	\$5,000,000**	\$5,000,000**	35%
2013	\$1,000,000	\$1,000,000	\$1,000,000	55%

* Estate tax exemption amount is reduced by lifetime taxable gifts

** Indexed for inflation after 2011

Wisconsin

- No Wisconsin estate tax in 2011 and 2012



2013

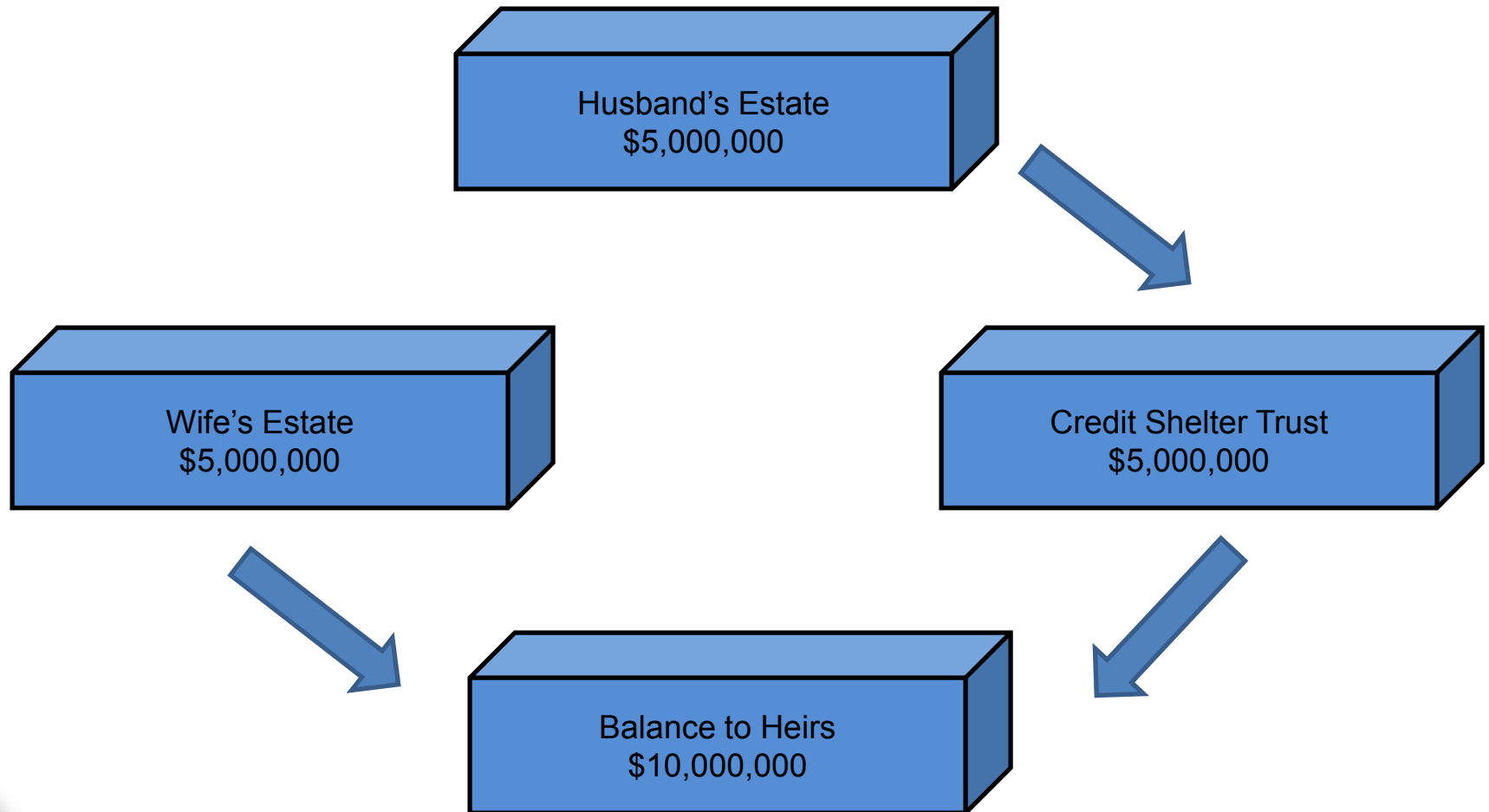
- Total gift and estate tax exemption returns to \$1,000,000
- Gift, estate and GST tax top rate is 55%
- Window of opportunity is Now



Portability

- Surviving spouse can utilize the unused portion of the decedent's gift and estate tax exemption
- Can be used while the surviving spouse is alive for gift tax purposes
- GST exemption is not portable

Tax-Efficient Will



Disadvantages of Portability

- Relying solely on the portability rule is risky
- Future income and appreciation in assets included in surviving spouse's estate
- GST not included

Disadvantages of Portability (con't)

- It is uncertain whether the portability provisions will continue after 2012
- The deceased spousal unused exclusion amount does not adjust for inflation
- State Estate Tax

Advantages of Funding a Trust at First Spouse's Death

- Asset protection from creditors and divorcing spouses
- Management and control over the assets
- Protecting assets from remarriage of the surviving spouse
- Protect against spendthrift family members
- Second marriage situations

Disadvantages of Funding a Trust at First Spouse's Death

- Assets held in a bypass or credit shelter trust are not entitled to a step up in basis



Portability Strategy

- Leave assets to the surviving spouse but specify surviving spouse can disclaim to a credit shelter trust
- Disclaimer must be made within nine months of the date of death
- Specific requirements for legal disclaimer

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Opportunities in 2011 and 2012

- **Should you utilize the \$5 million Gift Tax Exemption?**
- **PIT Approach:**
 - Personal objectives
 - Income needs during lifetime and for survivors
 - Taxes

Disadvantage of Gifts

- Basis in gifted assets carries over
 - i.e. no basis step up at death
- Weigh the potential impact of capital gains taxes



Tax Planning Opportunities in 2011 and 2012

Take advantage of:

- Marketability and minority interest discounts
- Low values due to economic conditions
- Remove all future income and appreciation on the gifted assets from your estate
- A number of gifting strategies are based on Treasury Bond yields which are at historically low levels

Annual Exclusion Gifts

- \$13,000 (\$26,000 if married and elect gift splitting)
- Indexed for inflation
- Use it or lose it
- Direct payments of tuition and medical expenses



Techniques to Take Advantage of Discounts & Low Interest Rates

- Grantor Retained Annuity Trust (“GRAT”)
- Installment sales to Intentionally Defective Grantor Trust (“IDGT”)
- Family Limited Partnerships (“FLP”)
- Qualified Personal Residence Trust (“QPRT”)
- Family Loans
- Section 529 Plans
- Charitable Lead Annuity Trusts (“CLAT”)

Charitable IRA Rollover

- 2011
- At least age 70^{1/2} at time of rollover
- Up to \$100,000
- IRA custodian directly transfers to a public charity
 - Not to a donor advised fund
 - Not to a private foundation
- Applies to IRA/Roth IRA
 - Not SEPS
 - Not SIMPLE IRAs
 - Not 401(k)s, 403(b)s
- Wisconsin does not follow



Charitable IRA Rollover Results

- Distributions not reported as taxable income
- Satisfies minimum distribution requirements
- No charitable contribution deduction for federal
- State charitable deduction available

Charity as Beneficiary of Retirement Plans & IRAs

- More than 60% of Retirement Plans may go to Government for Estate and Income Taxes, leaving only 40% for Beneficiaries
- Charitable beneficiary avoids income and estate tax

It's Not Just About Taxes

- PIT Approach
- Do you have all the necessary estate planning documents?
- Document reviews
- Are retirement plan and life insurance beneficiary designation forms properly completed?

A Two-Year Window of Opportunity

- **PIT Approach**
 - **P**ersonal objectives
 - **I**ncome needs during lifetime and for survivors
 - **T**axes

Questions

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