

When 2010 Ends the Federal Estate Tax Returns; Acting Now Could Save \$

Posted by Janet Brewer on Sun, Oct 24, 2010 @ 02:52 PM



It's already the end of October and - despite all the rhetoric - Congress has yet to do anything tangible to address the automatic return of the Federal Estate Tax.

While there was talk in D.C. between both political parties of renewing 2009's exemption level of \$3.5 million per individual and \$7 million per married couple, nothing has been done.

We could blame the nation's debate over health care reform for taking up legislators' time this year or their preparations for mid-term elections. But none of that matters now. The tax is returning in about 60 days and the question is, what are you going to do about it?

Acknowledge the unknown and plan for it!

If you don't take action to adjust your estate plan, your family could [lose a lot of money unnecessarily to estate and gift taxes](#).

Five billionaires have already died this year (George Steinbrenner, Mary Janet Cargill, Dan Duncan, Walter Shorenstein, and John Kluge). Since they died in 2010, their heirs won't pay any federal estate taxes on their assets (in 2009 a mere \$1 billion estate would have generated over \$400 million in estate taxes!). But next year, regular folks like you and your family will have to worry about these taxes.

The experts don't know what Congress will or won't do on this issue. And I don't know either. We all assumed that Congress would not have waited so long to act. This makes it difficult to recommend a course of action. But, then again, many plans include contingencies.

A variety of options

1. First, do the easy stuff. There are a number of actions you can take to [update your estate plan](#). Maximize your current planning so it will deal with the higher estate tax.
2. Second, utilize all of the available gifting strategies. You can give each of your loved ones \$13,000 without incurring any gift or estate taxes ... if you're married, your spouse can also give each of your loved ones \$13,000. You also have other options excluded from the gift tax, such as paying for educational or medical expenses, creating a Trust, and converting traditional retirement accounts into Roth IRAs. More [sophisticated gift tax strategies](#) can eliminate even more taxes.
3. Third, come in for a review of your estate plan in light of the estate tax exemption's dropping to \$1 million in January. It's important to make sure you have enough money for your own long-term care and also for taking care of your loved ones.
4. Fourth, make an appointment with your [San Francisco Bay Area CPA or financial advisor](#) to see if you should make any changes in your investment plans to compensate for these higher taxes.

Make an appointment now

The time to talk is now, not later. If you are at risk of having to pay estate taxes in light of the [decreasing exemption amount](#) and you haven't been in touch for awhile, make an appointment *now* (the end of the year is going to be very busy with clients trying to update their plans – you need to get an appointment on the books now so that there is time to adjust your plan *before* December 31st). You know who you are. You know what you need to do. Let us help you understand the complexity of the tax laws so that your money ends up where you want it.

As always, I hope you have been helped by this article. If you have a specific case or concern, please [contact our office](#).

Learn more



The right move now can save you money in 2011 and beyond. Download our free [Year-End Asset Protection Update for Bay Area Families](#) to learn about options to consider before Dec. 31st.