

OnPoint

Dechert
LLP

January 2013

A legal update from Dechert's Private Client Group

What the “Fiscal Cliff” Resolution Means for Personal Estate Planning

For the first time in 12 years, the estate, gift and generation-skipping transfer tax law does not have a built-in expiration date in the United States. Congress has exempted all estates below approximately \$5 million (\$10 million for a married couple) from the federal estate, gift and generation-skipping transfer taxes. That exemption amount increases with inflation. Amounts in excess of those thresholds will be taxed at a 40% rate.

Now that there is predictability to the law (“permanence” is probably too strong a word), you should review your estate plan to make sure it still works the way you intend. Most estate planning documents are driven by formulas and tax planning, and your plan may need to be updated to take the current law into effect. This advice is for individuals who have not reviewed their estate plans in recent years, and also for people who made large gifts in 2011 or 2012 to “use up” their tax exemptions before they were scheduled to expire on January 1, 2013.

The annual exclusion from gift tax has also been increased from \$13,000 to \$14,000 per donee per year, and Congress has not yet eliminated or reduced numerous very effective planning tools which allow you to take advantage of the current, historically low, interest rates. Now is an ideal time to engage in long-term planning to reduce the 40% tax (which, including state estate or inheritance taxes, can be as high as almost 50% in certain states) that will apply to estates larger than the \$5 and \$10 million exemptions.

In addition to the new stability created for estate and gift taxation, Congress has made numerous changes to the income tax law, increasing marginal rates for individuals and trusts, and limiting deductions for certain taxpayers. If you would like to review the details of those changes, please contact your Dechert LLP private client lawyer or accountant.



To browse our library of legal updates, please visit dechert.com/publications

To learn more about Dechert's Private Client Group, [click here](#).

To see the full list of Private Client Lawyers, [click here](#).

[Unsubscribe](#) | [Manage my mailings](#) | [Forward to a colleague](#)

dechert.com

© 2013 Dechert LLP. All rights reserved. This publication should not be considered as legal opinions on specific facts or as a substitute for legal counsel. It is provided by Dechert LLP as a general informational service and may be considered attorney advertising in some jurisdictions. Prior results do not guarantee a similar outcome. We can be reached at the following postal addresses: in the US: 1095 Avenue of the Americas, New York, NY 10036-6797 (+1 212 698 3500); in Hong Kong: 27/F Henley Building, 5 Queen's Road Central, Hong Kong (+852 3518 4700); and in the UK: 160 Queen Victoria Street, London EC4V 4QQ (+44 20 7184 7000).

Dechert internationally is a combination of separate limited liability partnerships and other entities registered in different jurisdictions. Dechert has more than 800 qualified lawyers and 700 staff members in its offices in Belgium, China, France, Germany, Georgia, Hong Kong, Ireland, Kazakhstan, Luxembourg, Russia, the United Arab Emirates, the UK and the US.

Further details of these partnerships and entities can be found at dechert.com on our [Legal Notices](#) page.

IRS Circular 230 disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.