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CLIENT ALERT LETTER--IMMEDIATE ACTION ADVISED

On January 1, 2010, we entered uncharted territory with the federal estate tax system. You may have already read about these changes, however, this alert letter is to advise you of the current status of the 2010 estate tax rules and advise you how to proceed. Ignoring these changes or pretending that they do not apply to you will be hazardous to your estate and beneficiaries. If your estate plan divides into a marital and family trust at the first death, it needs to be reviewed immediately. This is due to the 2010 changes in federal estate tax laws that are detailed below.

Back in 2009 we had a \$3.5 million estate tax exemption with full step-up in basis. Those rules are now gone. For 2010 there is no exemption because there is no federal death tax. Also gone are the unlimited marital deduction on which your plan is based and the step-up in basis. For 2010 we now have carry-over basis. This means a new tax if a beneficiary inherits property which grew in value in the hands of the decedent. These new basis rules are beyond the scope of this letter. Suffice it to say that everything you once heard or knew about federal estate taxes no longer applies.

It is uncertain how your current documents will work under these new rules. This is because several provisions of your documents are phrased in terms of the estate tax exemption and marital deduction which have been repealed for 2010. Because these tax concepts are not in the law for 2010, there may be questions about what your documents mean and how they will work. This could cause serious tax questions to arise that could require involvement of the courts to resolve. This is not the reason you created your estate plan and why we are urging you to review your plan with us immediately.

Please call us as soon as possible to arrange a meeting to review your estate plan and to determine whether any revisions are necessary to protect your property and family. We look forward to seeing you and reviewing these changes with you in greater detail.

Sincerely,
Bernie

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Bernard H.

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CIRCULAR 230 DISCLOSURE

Federal tax regulations require us to notify you that any tax advice in this communication was not intended or written to be used, and cannot be used, for the purpose of avoiding any tax or penalties