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Estate and Gift Planning Update - November 2010

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Two quick updates as we head into December and the last month of the 2010 Estate Tax Repeal:

2011 Annual Gift Tax Exclusion to Remain the Same at \$13,000.

In 2010, the annual gift tax exclusion permits a taxpayer to gift \$13,000 to any beneficiary, annually, even if the taxpayer has used up his or her \$1 million lifetime gift exclusion. The 1997 Tax Reform Act tied the annual exclusion amount to increases in the CPI Index, and as a result, the annual exclusion has increased from \$10,000 in 1997 to \$13,000 currently. Due to a lack of significant inflation in 2010, the maximum gift tax annual exclusion in 2011 will remain at \$13,000. This should also serve as a reminder that there is approximately one month left to take advantage of your 2010 annual exclusion gifts.

December AFRs even lower than historically low November AFRs.

The December Applicable Federal Rates were just released, with the “7520 rate” falling to 1.8% from 2% in November. With such low rates, techniques such as GRATs and Sales to Grantor Trusts are even more attractive due to the low amount of interest that

needs to be paid back to the taxpayer as a result of the transfers made by the taxpayer.

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