How to Get The Most Out of the Increasing Estate Tax Exemption

By Kevin VonTungeln
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Estate taxes must be paid when you die if the net value of your estate (assets less debts) is more than the amount exempt from taxes at that time.

In 2001 President Bush signed a tax bill that increases the estate tax "exemption" from $675,000 in 2001 to $3.5 million in 2009. Congress went so far this time as to "repeal" the estate tax in 2010, but unless it takes further action, the estate tax is automatically scheduled to return in 2011 with the exemption back at $1 million.
Year

Exemption
2001

$675,000
2002 – 2003

$1 million
2004 – 2005

$1.5 million
2006 – 2008

$2 million
2009

$3.5 million
2010

n/a (repealed)
2011

$1 million

Federal estate taxes still carry a wallop. In 2009, the tax rate is 45% on every dollar over $3.5 million. Estate taxes must be paid in cash, usually within nine months after you die. But with careful planning, they can be substantially reduced or even eliminated, especially now. Here's what you can do to get the most out of the increasing estate tax exemption.

1. Married? You can "double" your exemption. By setting up an A-B living trust, both spouses can use their estate tax exemptions and in 2009 protect up to $7 million from estate taxes. But unless you plan ahead, you can waste one spouse's exemption. The cost to your family: $1,575,000!

2. Check the wording. If you already have an A-B living trust, make sure the language to use your exemptions is flexible and does not state a specific dollar amount (e.g., $1 million or $2 million). Instead, it should apply a formula or use language such as "the amount that is exempt from estate taxes at the time of the grantor's death."

3. Shift assets. If you and your spouse have separate trusts, you may need to move assets from one trust to the other as the exemption increases.

4. Switch to a trust. If a will is your only estate plan, consider changing to a living trust now. It will probably cost more initially, but it can avoid probate, prevent court control of assets at incapacity, and will give you more control over the distribution of your estate after you die.

5. Review your plan annually with a qualified attorney. Your estate plan is a snapshot of you, your assets, your family, your goals and the tax laws in effect at the time it was prepared. Any time one of these changes, you need to review your plan. As frequently as the laws are changing these days, it would be smart to do this every year. A qualified attorney can quickly review your plan and see if any changes need to be made.

About Kevin Von Tungeln

With more than 17 years' legal experience, Kevin L. Von Tungeln serves Thompson Von Tungeln in the areas of estate planning, probate, trusts, wills, trust administration, conservatorships, guardianships and elder law. He is certified by the State Bar of California Board of Legal Specialists as a Board Certified Specialist in Estate Planning. Get to know more about Kevin's approach to estate planning by viewing his informational videos at: http://www.youtube.com/user/EstateLawyers. Kevin can also be found at LinkedIn by going to: (http://www.linkedin.com/in/kevinvontungeln)

About Thompson Von Tungeln

Antelope Valley estate planning law firm Thompson Von Tungeln (TVT) offers sophisticated estate planning and administration for the affluent, discriminating client. As Board Certified Specialists in Estate Planning, Trusts and Probate as certified by the State Bar of California Board of Legal Specialization, partners Mark E. Thompson and Kevin L. Von Tungeln are expertly equipped to serve these clients with the creative, effective and custom solutions they demand. For more information, contact TVT at 661-945-5868or visit their website at EstatePlanningSpecialists.com.