

THE BONESTROO LAW FIRM NEWSLETTER

KEEPING CLIENTS UP TO DATE WITH THE LAW



SUBSTANTIAL FEDERAL ESTATE, GIFT, AND GST TAX BREAKS MAY DISAPPEAR SOON . . . HAVE YOU PLANNED ACCORDINGLY?

Couples and individuals currently have the ability to take advantage of unprecedented estate tax saving opportunities. However, it is beginning to look ever more likely that the current favorable estate, gift, and generation skipping transfer (GST) tax rates and exemptions will lapse at the end of 2012; if Congress fails to pass a new law before the end of the year, higher tax rates and lower exemptions will take effect. In light of these developments, couples and individuals should reassess their estate's situation soon! Putting it off, or simply ignoring the changes altogether, could mean losing the opportunity to avoid substantial estate taxes.

CURRENT FEDERAL LAWS...

Tax Rate: 35%

Gift/Estate Tax Exemption: \$5,120,000 per person.

Meaning every person can pass through about \$5 million tax free. Any assets exceeding those limits will be taxed at 35%.

FEDERAL LAWS AS OF JANUARY 1, 2013...

Tax Rate: 55%

Gift/Estate Tax Exemption: \$1,000,000 per person.

Meaning every person can pass through \$1 million tax free. Any assets exceeding those limits will be taxed at 55%.

What do these changes mean for the average family? Assume a couple has an IRA worth \$300,000, a home worth \$400,000, and two \$750,000 life insurance policies - that's \$2.2 million in total assets. Assume further that the couple would like to pass through as much of those assets as possible to their two children or other loved ones.

By failing to effectively plan their estate, the couple will only be able to pass through \$1 million tax free. The excess \$1.2 million will be subject to a 55% tax, meaning that \$660,000 will go to Uncle Sam instead of the couple's loved ones.

By taking the necessary estate planning measures in 2012, the couple can pass all \$2.2 million through to their children or other loved ones tax free.

Contacting The Bonestroo Law Firm or your estate planning attorney today about the federal tax planning opportunities that exist today could result in significant tax savings. Remember, the current rules will likely be gone by the end of the year, so it is important for you to consider your estate planning situation soon and whether you need to take action before 2013.



THE BONESTROO LAW FIRM

REAL ESTATE - SMALL BUSINESS - ESTATE PLANNING

STILLWATER - WHITE BEAR LAKE - ROSEVILLE - HUDSON

www.bonestroolaw.com - 651-328-8670 - info@bonestroolaw.com

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