SUMMARY ADVANCED PLANNING SOLUTIONS

The following is a brief summary of various advanced planning techniques for larger estates. You may have already instituted some of these methods with our office, but we wanted to make sure you were aware of all the possibilities, in case you wanted to do some additional planning.

INSURANCE TRUST

- Life **insurance is normally a taxable** asset under the federal death tax.
- Life insurance can be **excluded** from the death tax **with a special Life Insurance Trust**.
- Such a trust can transfer the **life insurance proceeds tax free**.
- **Insurance** that is not in such a trust can end up being **taxed at 40% to 55%.**
- **Don't** waste your life insurance and **give away half of it away to the government**.

GIFT TRUST

- A Gift Trust is a special trust that allows you to take advantage of **additional death tax deductions** that a Living Trust cannot use.
- The special Gift Trust allows you to put away **additional amounts tax free** into the Gift Trust, but your beneficiaries still are not able to remove them from the trust until you specify after your death.
- A special Gift Trust allows you to **qualify for extra death tax deductions** but still control your assets until after your death.
- Your **grandchildren** or other beneficiaries can even be added as contingent or substitute beneficiaries to **further increase tax free amounts**.

DYNASTY TRUST

- The death tax is a **tax on every death at each generation** even if the property was already taxed at the last generation.
- So your children and grandchildren can end up paying a death tax again on the same property. Your family can end up being **taxed 3 or 4 times** on your estate if you are not careful.
- A Dynasty Trust helps **prevent multiple death taxes** at each generation.
- The Dynasty Trust uses a loophole in the death tax law to place the property in a special trust that does not die, therefore is **not subject to the death tax** at each generation.
- There is a limit to this loophole, the sooner you take advantage of it, the more you can ultimately pass to your heirs **death tax free**.
- Also the IRS may eliminate this tax break in the next few years for those taxpayers who do not already have theirs in place. So you should act quickly to put yours in place **while this tax break is still available**.

FAMILY EMPIRE COMPANY

- A Family Empire Company can substantially **increase** the amounts you can give to your family and heirs **tax-free**.
- Because assets in a Family Empire Company are valued **substantially lower for death tax purposes**, this method decreases your death tax by 50% to 100%.
- You **don't need an actual "business"** to have a family empire company. You can put most of your business or non-business assets into a Family Empire Company.
- A Family Empire Company also can give you **lawsuit and asset protection** like a corporation.
- A Family Empire Company is used with a special Business Interests Gift Trust to make sure that you **retain full control** over the business and assets.

CHARITABLE TRUST

- An additional technique to **save several types of taxes** is a charitable trusts.
- Depending on the situation, a Charitable Trust can **save capital gains taxes, death taxes, and income taxes**.
- With a Charitable Trust an **income for life** can be set up for you, similar to an annuity.
- By dedicating part of your estate to a charity upon your death, you can receive a **deduction on your income taxes** now.
- You can also **earn tax free interest** on the money in the trust.
- A Charitable Trust can even **eliminate the capital gains tax** on appreciated property.
- Setting up a charitable trust during your life can provide several additional benefits:
  - Be **recognized while you are alive** for making a donation (maybe even get your name on a building).
  - **See the benefits** your gift will bring the charity.
  - Take a **current income deduction** on your income taxes even though the charity doesn't receive the money until you die. If you wait until after your death to fund the charitable donation, you lose the income tax advantages.
- If you are going to give to a charity when you die, it may be **wiser to set up the donation before you die** with a charitable trust.