

September, 2001

# DEATH TAX UPDATE

## THE NEW TAX LAW

### THE GOOD NEWS: DEATH TAX IS ELIMINATED FOR 1 YEAR

**If** you die in the year **2010**, you win: You do not pay any death tax under the law that was just passed (unless they repeal that too). How many are planning on dying in the year 2010?

### THE BAD NEWS: DEATH TAX IS AUTOMATICALLY REINSTATED

But if you die in **any other year**, the death tax is still in effect. Worse yet, in the year **2011** the death tax is **fully reinstated** back to what it is today. Even the increased deductions are wiped out automatically. Even the temporary lower rates are wiped out automatically.

### CRAZY TAX LAW

Sound crazy? It is. The death tax was already the cruelest, most unfair, illogical, and highest tax in the U.S. Now it is even crazier and crueler. (See some of the quotes from the financial commentators below.)

### WHO DO YOU TRUST TO PROTECT YOUR FAMILY?

Are you trusting Congress and the Politicians to protect your family from taxes when you die. I hope not!

### THE DEATH TAX HAS BEEN REPEALED AND REINSTATED 4 TIMES

The death tax has been repealed 4 times and each time it was brought back. The politicians can't bring themselves to part with a tax that has the potential to bring in so much money. It always comes back and worse than before.

### BEAT THE POLITICIANS AT THEIR OWN GAME

The good news is that the new tax law does give us some expanded opportunities over the next few years to take advantage of some tax loopholes before they close them again. There are some things we can do in the next couple of years that we won't be able to do later.

### MY GRANDMOTHER'S STORY

Most of you know I grew up under a trust. My Grandmother was a businesswoman in LA back in the 50's and 60's. She owned a publishing business. She set up a trust before most people had them. (She even had a MediCal protection trust before most people knew what they were, but that is another story.) When she set up her trust there existed several tax benefits that Congress later took away. She had all these tax advantages written into her trust. When Congress changed the law, they couldn't touch

her because, the trust was already fully effective. She saved several hundreds of thousands of dollars. You can do the same.

### ACT QUICKLY

Most of the things we recommended to you can still be done this year and can be locked in for future years so you won't need to worry about what tricks Congress tries to pull in the next couple of years. In fact, these benefits have temporarily gotten better under the new tax law. But we do not know how much longer these tax benefits will be around. Already they are talking about taking some of the benefits away.

### HE WHO WAITS LOSES

But these things need to be done now, before Congress changes its mind again.

## QUIPS, QUOTES, AND CARTOONS

(EMPHESIS ADDED)

“Congress: Even if nothing is done to undo the package, all the **changes will expire at the end of 2010.**” –Press Enterprise 6/8/2001

“...The tax is only repealed in the year 2010. **After that, the tax comes back with the current rates (55%)** and a \$1 million exemption.” – A.G. Edwards, Co. Newsletter, Tax Reform Update, June 2001

“Congress has cobbled together the **strangest, most reckless most—well, hilarious—estate-tax law ever.** Laughter is the only rational response. **People** who are worth enough to owe estate taxes today **are going to get to know their lawyers really well.**” –Jane Bryant Quinn, national financial columnist. 6/24/2001

“...our brilliant legislators made it expire **at the end of 2010. Kaput. It's gone.**” – E.J. Dione, Washington Post columnist. 6/1/2001

“It reduces estate taxes **eliminating them in 2010—but only for that year.** Alas, if anything ever created uncertainty about future tax liabilities, these roller coaster provisions do.” – David Cay Johnston, New York Times News Service. 6/10/2001

“...(A) **contemptible piece of consumer fraud.**” – Newsweek, 6/11/2001

“Despite great temptation to spend a few pages ridiculing...(the new estate tax law)..., it is far **more important to begin thinking about appropriate...responses** to the contents of the Act.” – Estate Planning Reporter, June 2001

“For individuals and couples whose net worth is significant, **estate and financial planning will continue to be critical** as the need to balance a variety of tax and non-tax issues becomes **even more important** for clients with increased post-(income) tax wealth.” – Merrill Lynch newsletter, June 2001

