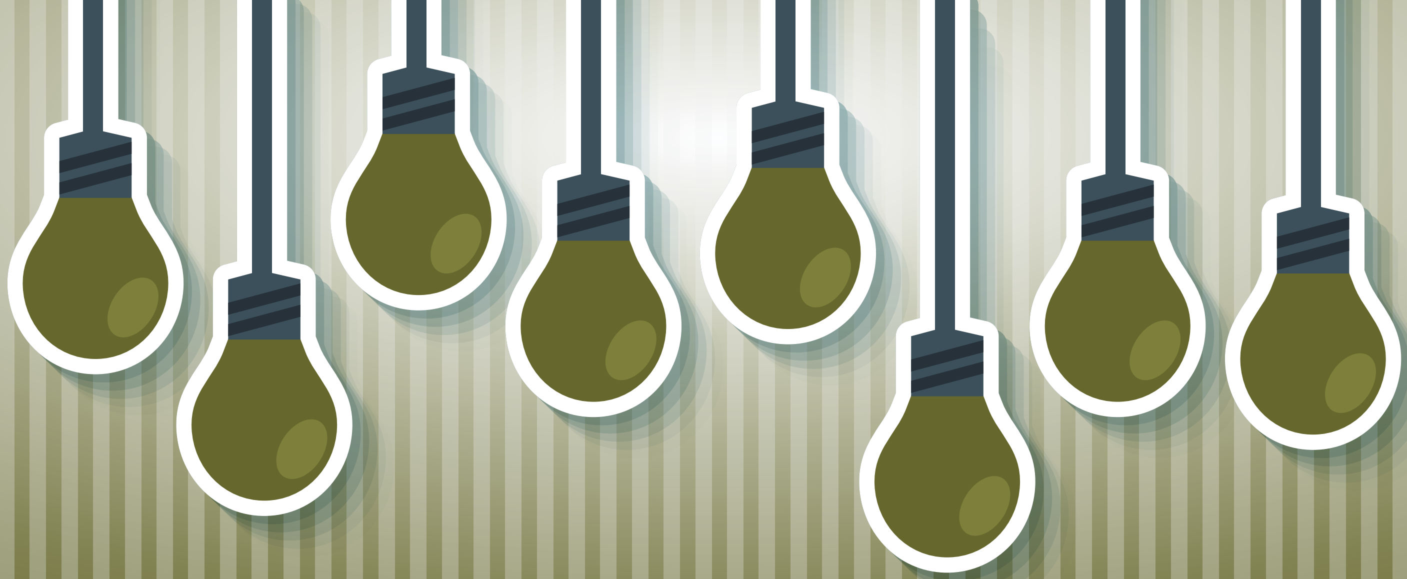

TOP 8 REASONS

You Should Be Gifting Now

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WEALTH IMPACT

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TOP 8 REASONS **YOU SHOULD BE GIFTING NOW**

1 AVOID PAYING ESTATE TAXES ON FUTURE INCOME AND APPRECIATION

If a $5 million gift were to grow to $15 million by the time of the donor's death, the estate tax savings could be $5.5 million (55% of the $10 million of appreciation). In addition, all income from the gifted assets will be out of the donor's taxable estate.

2 ASSET PROTECTION

Doctors, lawyers, and others who wish to shelter assets form possible future claims can shift assets to special types of trusts to shield assets from both estate taxes and creditors.

3 FAMILY GIFTING TRUSTS

Spouse A creates an irrevocable trust for the benefit of Spouse B and/or their descendants, and funds it with a $5 million gift. Spouse B is the Trustee. Spouse B can distribute funds from the trust for his or her and/or the other beneficiaries' health, education, maintenance and support. Spouse B has full control of the trust's assets. None of the assets in this trust should be includable in either spouse's taxable estate, and the trust's assets should also be exempt from creditors. To enhance the estate tax savings, Spouse A could also lend funds to the trust at the currently low Applicable Federal Rates (AFR), so that the income in excess of the AFR and the future appreciation of the loan amount then accrues to the trust, safe from estate taxes. Moreover, this doesn't have to be a one-way street. With special care to avoid the "reciprocal trust doctrine," Spouse B can also establish a trust for Souse A's benefit.

4 GIFT SPLITTING

Through a technique called "gift splitting," a married couple can agree to treat gifts made by either of them to others as if the gift were made equally by each of them. With gift splitting, both spouses may make a gift of up to $15,000 annually to as many individuals as they wish, tax free, so long as they each do not exceed their $11.2 million lifetime exclusion, known as the basic exclusion. This allows each spouse more flexibility to give to their children now, as they can both give up to their annual exclusion.

5 BUSINESS AND FARM SUCCESSION PLANNING

To avoid estate tax on the family business or family farm, while still retaining control of the entity, consider making a gift of nonvoting stock or limited partnership interests. The valuation discount on these types of ownership interests leverages the gift tax exemption, allowing it to "stretch" farther. Nothing in the Act adversely impacts this type of gift planning.

6 ADDITIONAL INSURANCE FOR GIFTS OR SALES OF HARD-TO-VALUE ASSETS TO TRUSTS

The larger gift tax exemptions create additional cushion against the possibility of gift taxes being imposed on gifts and sales of hard-to-value assets, such as limited partnership interests or ownership interests in closely held businesses, to irrevocable family gifting trusts.

7 AVOIDANCE OF STATE ESTATE TAXES

Many states impose their own estate taxes at the state level. Making gifts such as those described above also helps to avoid state estate taxes. However, some states impose state level gift taxes, and in such states, state gift tax implications need to be considered.

8 SHELTERING FAMILY WEALTH FROM ESTATE AND GENERATION SKIPPING TAXES INTO PERPETUITY

We nearly always recommend that substantial family gifting be done through irrevocable trusts. These trusts, sometimes called "Dynasty Trusts" or "Generation Skipping Trusts," can be structured so that they should be sheltered from estate taxes and generation skipping taxes, even into perpetuity in the states that permit perpetual trusts. Assets in these types of trusts should also be sheltered from attack by the beneficiaries' creditors. Trust gifting also allows the donor to specify how the assets will pass to or for the benefit of her or his beneficiaries in the future, usually so the assets remain exclusively for the donor's descendants. Outright gifts offer none of these advantages.

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