



SHEPARD SCHWARTZ & HARRIS LLP

Business Advisors For Privately Owned Companies

National Estate Planning Awareness Week (October 17 - October 23, 2011)

As Congress designated this third week of October as National Estate Planning Awareness Week, we want to remind you of a few estate planning tips to consider as we approach the end of the year.

- **Annual Exclusion Gifts**

Don't forget to make your 2011 annual exclusion gifts. Donors can give up to \$13,000 per donee to an unlimited number of recipients each year without paying gift tax. By making these annual gifts, the donor removes the gift amount from his/her estate and saves future estate tax. In addition, the donor removes the post transfer growth from his/her estate. This is an easy estate planning move that should not be overlooked.

- **Medical Care and Tuition Payments**

There is an exclusion from the gift tax rules for payments for medical care and tuition paid directly to a third-party provider. One way for a wealthy grandparent to reduce his/her estate is by paying for the medical care and tuition costs for their children and grandchildren. Think about those costly expenses of dental work, including braces, and college tuition! The annual exclusion does not apply towards these payments, and they do not reduce the donor's lifetime exclusion. Also a gift tax return is not required to report these payments.

- **Increased Lifetime Gifting Exemption**

For gifts made after December 31, 2010, the lifetime gift exemption is increased five-fold to \$5 million. This is for gifts above and beyond the \$13,000 annual exclusion discussed previously. Through December 31, 2012, an individual can gift to all beneficiaries during his or her lifetime up to a total of \$5 million without having to pay gift or generation-skipping tax. This presents a unique opportunity to shift a large portion of wealth and is particularly advantageous when there is the potential for significant appreciation of the gift.

- **Review Your Estate Plan Documents**

It is always good to review your will, trusts and other estate planning documents on a regular basis. This is especially true for residents of Illinois where the state law has decoupled from the federal estate law. This means that while there is a \$5 million exclusion for Federal estate tax purposes, the Illinois exclusion is only \$2 million. Attorneys have been implementing new provisions in documents to cover this variance. We encourage communication with your attorney and all financial professionals to ensure that your needs are met and properly documented.

- **Review Your Beneficiary Designations**

If you have been recently divorced or widowed, an important piece of paperwork that should not be overlooked is the beneficiary designations on your pension plans, life insurance policies and annuities. After a life change, new forms are required to be completed to change the beneficiary. If the documents are not changed, payments may be going to a previously named beneficiary, a result that is no longer intended.

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