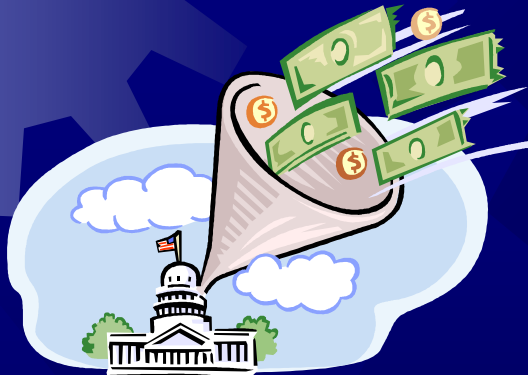


Estate Planning

What's New – What's Not

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Estate Planning

“What’s New”

- ★ Estate Tax Revived and Revised
- ★ Higher Exemption
- ★ Lower Maximum Tax Rate
- ★ Unified Estate & Gift Tax
- ★ Portability Between Spouses
- ★ “What’s New” Expires end of 2012

Estate Planning

Challenges for the Farm Estate

- ★ The “Farm” is most of the estate
- ★ Farm Heirs vs Non-farm Heirs
- ★ “Untitled Assets” – who owns them
- ★ “Succession” to a retiring generation
- ★ “Incapacitation & Long-term Care”

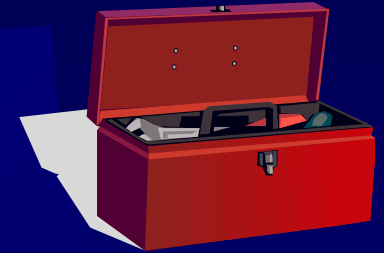
Estate Planning

Goals and Objectives

- ✦ Income & Security for Life
- ✦ Treat Heirs Equitably
- ✦ Provide for Special Needs
- ✦ Minimize Taxes & Settlement Costs
- ✦ Transfer of Family Business
- ✦ Meet Requirements of Special Provisions
- ✦ Special Bequests
- ✦ Living Will, Durable Power of Attorney, and Long-term Care Issues



Tools & Provisions



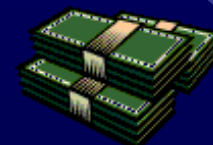
- ★ Annual Gift Exclusion
- ★ Ed. & Medical Gifts
- ★ Marital Deduction
- ★ Gift Splitting
- ★ Step-up in Basis
- ★ Generation Skipping
- ★ Business Organization
- ★ Special Use Valuation
- ★ 14 yr. Tax Installment
- ★ Non-probate Transfers
- ★ Life Insurance
- ★ Wills & Trusts
- ★ Title Ownership
- ★ Annuities
- ★ Charitable Transfers
- ★ Medicare, Medicaid, Long-term Care Ins.
- ★ Health Care Directives
- ★ Durable Power Attorney

Federal Estate and Gift Rates & Exclusion Amounts

Year	Maximum Rate	Estate Exclusion	Gift Exclusion
2003	49%	\$1.0 million	\$1.0 million
2005	47%	\$1.5 million	\$1.0 million
2006	46%	\$2.0 million	\$1.0 million
2009	45%	\$3.5 million	\$1.0 million
2010	35% gifts	Repealed	\$1.0 million
2010	35%	\$5.0 million	\$1.0 million
2011	35%	\$5.0 million	\$5.0 million
2012	35%	\$5.16 million	\$5.16 million
2013	55% + 5%	\$1.0 million	\$1.0 million

ESTATE & GIFT TAX RATE SCHEDULE 2011 & '12

0 to 10,000	18%
10,000 to 20,000	$1,800 + 20\% > 10,000$
20,000 to 40,000	$3,800 + 22\% > 20,000$
40,000 to 60,000	$8,200 + 24\% > 40,000$
60,000 to 80,000	$13,000 + 26\% > 60,000$
80,000 to 100,000	$18,200 + 28\% > 80,000$
100,000 to 150,000	$23,800 + 30\% > 100,000$
150,000 to 250,000	$38,800 + 32\% > 150,000$
250,000 to 500,000	$70,800 + 34\% > 250,000$
500,000 and greater	$155,800 + 35\% > 500,000$



Portability of Exemption

- ★ Unused Exemption
- ★ To Surviving Spouse
- ★ Election Made at Death of 1st Spouse

Avoiding Probate

- ★ Joint Tenancy & Tenancy by the Entirety
- ★ Non-probate Transfers
 - Pay on Death (POD)
 - Transfer on Death (TOD)
 - Beneficiary Deed
- ★ Revocable Trust



BEQUEST vs GIFT

- ★ 160 A. purchased in 1950 for \$16,000. Current FMV is \$480,000.

	<u>Bequest</u>	<u>Gift</u>
★ Decedent's (donor's) basis	16,000	
★ Heir's (donee's) basis	480,000	
★ Built-in taxable gain	-0-	

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	<u>Bequest</u>	<u>Gift</u>
★ Decedent's (donor's) basis	16,000	16,000
★ Heir's (donee's) basis	480,000	16,000
★ Built-in taxable gain	-0-	464,000

Priority Ranking of Estate Asset Transfer Methods

- ★ Title
- ★ Non-probate Transfer
- ★ Will
- ★ Intestate (by state statute)

Life Insurance

★ Avoid Incidents of Ownership

- ★ Right to - change beneficiaries
- ★ - borrow against policy
- ★ - cancel the policy



★ Taxable Estates - Consider using a “Irrevocable Life Insurance Trust”

Power of Attorney

- ✦ Document in which you appoint someone to act on your behalf (as your agent)
- ✦ Authority spelled out in document
- ✦ Actions legally binding on principal

Durable Power of Attorney

- ★ You appoint someone to act on your behalf (as your agent)
- ★ Certain actions must be specifically authorized – “Extended DPOA”
- ★ Actions legally binding on principal
- ★ Power continues if principal becomes incapacitated
- ★ “Springing DPOA” – only valid when principal is incapacitated

Trusts

- ★ Revocable Living Trusts
 - ★ joint or separate trusts???
- ★ Irrevocable Trusts
- ★ Testamentary Trusts
- ★ Life Insurance Trusts
- ★ Charitable Retained Annuity Trusts
- ★ Qualified Terminal Interest Trusts
- ★ Generation Skipping Trusts
- ★ Many Other Special Types



Beneficiaries Up to Date?

Verify – Don't ***ASSUME!***

May need to update for:

- Change in marital status**
- Deaths**
- Birth of children**
- Change in relationships**

Work to Reduce Friction in Estate & Succession Plans

- ❑ Make your plans
- ❑ Get plan in writing
- ❑ Family meeting
 - ★ This is the way I (we've) planned it – review the document, explain your decisions (to the degree you choose to)
 - ★ Family questions or concerns, express them now and only now