

The “Daily Plan-It™”

SHUMATE BROKERAGE CORP.

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Estate Tax Repeal—2012?

With the estate tax set for repeal in 2010, clients are asking an important question: Should I wait three years to do my estate planning? The answer is emphatically “no!” Clients need to do their estate planning *now*.

More than taxes

Most professionals will agree that their clients need estate planning for reasons other than preparing for taxes. They need to plan for the following reasons:

- To protect their families in case of disability.
- To protect their families from potential creditors.
- To ensure that asset distribution is “fair.”
- To protect their children’s assets from future spouses.

These are all issues of control that impact a family and its wealth. Without a doubt, they’re the most important reasons to create an estate plan.

Why is Paris Hilton like the Estate Tax?

Even though family planning is the most important reason to create an estate plan, it’s estate *taxes* that get all the publicity. It’s like Paris Hilton. She gets lots of press, both good and bad. And although most of us don’t care about her, she’s always in the headlines.

The estate tax *is* the Paris Hilton of estate planning. While it’s the heart and soul of the process and the primary mover in most estate planning conversations, it’s not *the* most important reason to create a plan. But all estate planning publicity is good publicity if it keeps the subject at the top of people’s minds

Repeal or not?

The key questions these days is what will Congress do in 2011? The “applicable exclusion” is currently \$2 million. With proper planning, a family can exempt up to \$4 million from the estate tax. In 2009, the exclusion jumps to \$3.5 million. In 2010, the estate tax will be repealed until 2011, when it reverts back to \$1 million.

Deferring the Repeal of the Repeal?

Most attempts at modifying the estate tax repeal have failed. However, there’s one effort that stands out. Montana Senator Max Baucus proposed to extend the law as it is in 2009 until the end of 2012. Under his proposal, the estate tax exemption would be \$3.5 million per person; the marginal tax bracket would be 45 percent. The gift tax exemption would be \$1 million. While it passed 97-1 in the Senate, it never made it to the House. This indicates potentially overwhelming support to *defer* the repeal to a later date.

Politically, this could be a great move. But what do we tell our clients? That we’ll get back to them in couple of years? Of course not! We tell them to plan *now*. If the law changes, we can amend their planning in the same manner that Congress will amend the law.

If you need help talking to clients about this, give us a call. We’d be glad to support you in educating your clients. There’s no time to plan like the present.

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