

• Provide for charity

PC Call: Invested Involvement Transfer Tax History Estate taxes 1797 rebuild Navy, repealed 1801 1862, Civil War, repealed 1870 1898, Spanish-American War, repealed 1902 America's fourth estate tax, First World War 1916 Gift taxes 1924 and 1932

PG Cate | Invented in your measure 1976 Tax Act • Unified gift and estate taxes • Remained cumulative • Unified tax table • Unified credit • No inflation adjustment

Estate Planning for Gift Plan

Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)



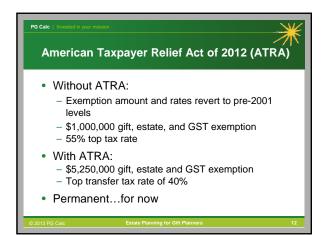
- Reduced transfer tax rates
- Increased exemption amounts
- Estate tax repeal in 2010
- Gift tax in 2010 with carryover basis
- Repealed state estate tax credit

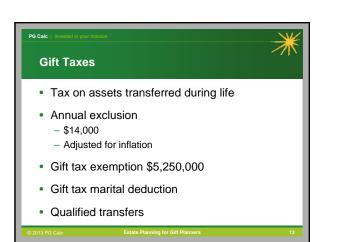
2010 Tax Act

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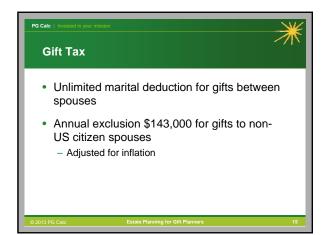
- Reinstated estate tax for years after 2010
- \$5,000,000 gift, estate, and GST exemption
- 35% top tax rate
- For years 2011 and 2012

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Pe Cale | Invested by your makere Gift Tax Annual exclusion State = \$14,000 per donee Gift splitting doubles exemption Gifts under exclusion amount not reportable Gifts in excess of exclusion erode exemption amount Mr. and Mrs. Remington Three children \$28,000 to each child \$\$84,000 can pass gift tax-free each year



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Gift Tax

- Qualified transfers not subject to gift taxes
- · Tuition payments
- · Payments for medical care
- Must be made directly to provider

Estate Taxes

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- Tax on assets transferred at death
- ATRA effectively repeals estate taxes for estates of less than \$10,500,000
- Gross estate subject to tax
 - Assets in decedent's name only
 - $\frac{1}{2}$ of assets owned jointly with others
 - Before deductions for estate expenses

Estate Planning for Gift Planners

Estate Taxes

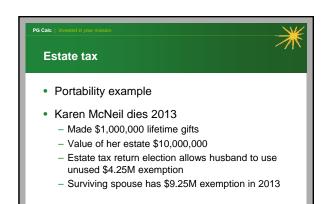
• Without ATRA?

- Exemption plummets to \$1M from \$5.12M
- Tax rate skyrockets from 35% to 55%

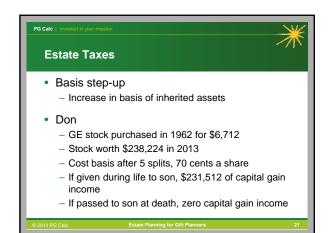
Portability

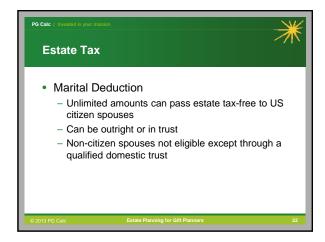
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- QTIP trust not required to use both spouse's exemption amounts
- If remarried, unused exemption available from second spouse only
- Available only if elected on deceased spouse's estate tax return
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 Federal 	estate, gif	ft and C	GST tax	rates for 2013	
	Taxable Transfer	Тах	% on Excess		
	\$0	\$0	18		
	10,000	1,800	20		
	20,000	3,800	22		
	40,000	8,200	24		
	60,000	13,000	26		
	80,000	18,200	28		
	100,000	23,800	30		
	150,000	38,800	32		
	250,000	70,800	34		
	500,000	155,800	37		
	750,000	248,300	39		
	1,000,000	345,800	40		







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- Budget pressure has increased # of states that are collecting estate and inheritance taxes
- ATRA made permanent deduction of state estate taxes paid against federal estate taxes
- 16 states impose estate tax, 6 also impose inheritance taxes

Estate Planning for Gift Pla

• New Jersey= \$675,000 exemption, 16% top rate

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Generation Skipping Taxes

- Tax on assets transferred to "skip person"
 Lineal descendent more than one generation removed
 - Others at least 37.5 years younger than transferor
- Discourages transfers that skip a generation to avoid transfer taxes
- · Applies to transfers during life and at death

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- Taxable termination
 - Assets distributed at termination of trust (CLT)
 - Trust pays GST tax

Estate Planning for Gift Planners

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Advanced Planning Techniques

- Wealth Replacement
 - Also known as ILIT or Crummey trust
 - Annual exclusion gifts to trust
 - Children offered right to take the money
 - Trust pays insurance premiums
 - Proceeds distributed tax-free to heirs
- Consider pairing with a gift annuity or remainder trust

Estate Planning for Gift Pla

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- Qualified Personal Residence Trust (QPRT)
 - Non-charitable retained life estate

Advanced Planning Techniques

- Parent puts residence in name of trust
- Upon termination, residence passes to heirs
- Gift tax deduction equal to owners right to live in home
- Low discount rate favors this arrangement

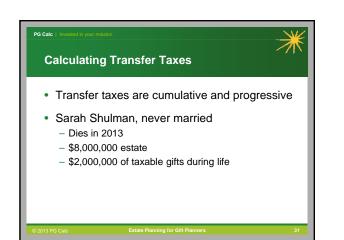
Advanced Planning Techniques

- Grantor Retained Annuity Trust (GRAT)
 - Non-charitable lead annuity trust
 - Parent puts assets into GRAT
 - Trust makes fixed payments to parent
 - Gift tax deduction for parent's retained income interest
 - Heirs receive assets transfer tax-free
 - Low discount rate permits leveraging deduction

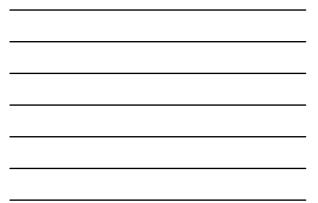
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Po Cale Evented R your means Advanced Planning Techniques Grantor Retained Unitrust (GRUT) Operates like a GRAT, but pays unitrust amount GRUTs, like CRUTs, are less sensitive to low discount rate

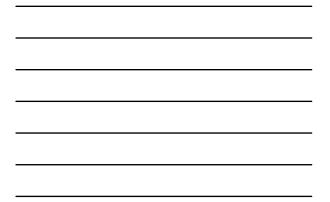
- Allows transfer tax-free distribution to heirs

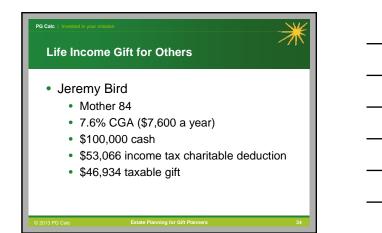


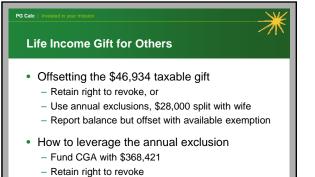
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Calculating Transfer Taxes	
If no charitable bequests:	
Estate value	\$8,000,000
Prior taxable gifts	+ <u>\$2,000,000</u>
Taxable estate	\$10,000,000
Estate Tax Exemption	- <u>\$5,250,000</u>
Taxable Estate	\$4,750,000
Tax owed (\$4,750,000 x 40%)	\$1,900,000
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PG Cale Invested in your mission	sfer Taxes	*
\$1,000,000 charital	ble bequest	
Estate value		\$8,000,000
Prior taxable gift	s	+ <u>\$2,000,000</u>
Charitable beque	ests	- <u>\$1,000,000</u>
Taxable estate		\$9,000,000
Estate Tax Exen	nption	-\$5,250,000
Taxable Estate		\$3,750,000
Tax owed (\$3,75	50.000 x 40%)	\$1,500,000
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- \$28,000 annually to Mother

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PG Cale | Invested in your mission Life Income Gift for Others

- Capital gain when funding CGA for others

 Pro rata capital gain reporting only if annuitant and donor are same person
- \$100,000 stock, \$60,000 basis
 - \$40,000 potential capital gain income
 - \$18,774 capital gain income if annuity funded
 - Offset by \$53,066 income tax charitable deduction

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- Upon death of first spouse, all assets to survivor
- Unlimited marital deduction, no estate tax
- Before portability, wasted estate tax exemption at first death
- · Second spouse controls estate

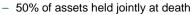
Credit Shelter/Marital Trust Plan

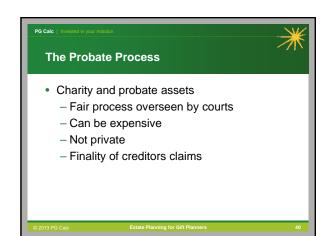
- Upon first death, two trusts created
- Credit Shelter Trust

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- Funded with available estate tax credit
- Less important than in past because of portability
- Marital Trust
 Funded with balance of estate
- · First spouse maintains control









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The Probate Process

- Representing charity
 - Ambiguous language
 - How are taxes and expenses paid?
 - Passage of time can compromise rights
 - Residuary bequests require attention
 - Don't be shy

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- Transfer tax system permanent ... for now
- Taxes aren't the primary motivation
- Charitable giving eases transfer tax burden
- · It's about mission



Still Have a Question?		
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