



ESTATE PLANNING FOR THE MILLENNIUM

The IRS changed the unified credit for estate taxes in 1997, increasing the amount of assets you can pass at death. The protected or exempt amount in 1999 is \$650,000. This amount will increase as follows:

2000/1	\$675,000
2002/3	\$700,000
2004	\$850,000
2005	\$950,000
2006/7	\$1,000,000

At this time, there is no further legislation pending to increase or eliminate the estate tax. Although this tax break is significant, it is important to note that if your individual estate exceeds \$650,000, or if you and your spouse's combined estate exceed \$1,300,000 this year, there could be an estate tax at death.

Fortunately, the IRS recognizes additional estate planning options to protect amounts over \$650,000 for individuals or \$1,300,000 for couples. This additional planning is referred to as advanced estate planning.

One advanced planning option you may want to consider is the Irrevocable Life Insurance Trust (ILIT). An ILIT is a wealth replacement tool. Like your revocable trust, you are the creator of the trust. You chose the trustee(s), the beneficiaries and the age of distribution. The biggest difference is that an ILIT is irrevocable. Since the trust is irrevocable, the death benefit will not be included in your estate at the time of your death. This means that the insurance proceeds will not be subject to estate taxes at the time of your death.* The insurance proceeds can be used to pay estate taxes (this is helpful if a large portion of your assets are tied up in a family business or real estate) or replace wealth that is lost when estate taxes are paid from your revocable trust.

When creating an ILIT, it is important to consider the current value of your estate as well as the future value. This will help you determine the

amount of estate taxes that may be paid, which in turn provides you with an idea of how much life insurance to buy for the ILIT.

For married couples, the estate tax would not occur until the second death because of the unlimited marital deduction. Therefore, you could use a second-to-die policy, which is less expensive and allows you to purchase more coverage.

This is just one of the many tools available for advanced estate planning. Perhaps you would rather start a gifting program to grandchildren and great-grandchildren for educational purposes. This can also be accomplished with an irrevocable trust.

*Life insurance that is purchased by the ILIT will not be included in your estate at death. However, life insurance that was previously owned by you and transferred into your ILIT could be included in your estate within the first three years of the transfer of the policy.

LIFETIME GIFTING

There are many advanced estate planning options available to an individual or family to help protect an estate from estate taxes. However, it is important that you do not overlook the simplest option of all...Lifetime Gifts. The IRS allows you to give \$10,000 a year (\$20,000 for husband and wife) to as many individuals as you chose. If the amount of the gift is \$10,000 or less each year, there is no gift tax.

Depending on the type of gift, you may need to file a gift tax return. If the gift has a easily determined fair market value, such as cash or stock, there is no need to file a gift tax return.

However, if the gift does not have an easily determined fair market value, such as company stock or real estate, I would recommend that you file a gift tax return. If you work with an accountant or CPA, I would recommend that you advise them of any annual gift(s) and seek their advise on whether a gift tax return should be filed.

Just remember, if your estate is worth more than \$650,000, the IRS may get more than .37 cents of every dollar over the exemption amount. The decision is yours, are you going to make a gift to your family? Or are you going to make a gift to the IRS?

When making a gift, play it safe. If you are sending a check, make sure the check is cashed by the recipient before December 31, 1999. If you are transferring stock or real estate make sure the transfer occurs well before December 31, 1999. The IRS will take every opportunity to claim that the gift did not occur in 1999.

FUNDING YOUR TRUST

I want to take every opportunity to remind you of how important it is to make sure that all of your assets are titled in the name of your trust. If you have investment accounts, bank accounts, Certificate of Deposits, bonds or stocks, each asset should be owned by your trust and not by you individually. For any life insurance policies, the trust should be named as the primary beneficiary; and for retirement accounts, such as IRAs, annuities, and 401K's, you should leave your spouse as the primary beneficiary and consider naming your trust as the contingent beneficiary. This can be accomplished by obtaining a change of beneficiary form for each account.

For real estate, a new deed should be prepared to transfer ownership into the trust. If you have sold property and purchased new property since your trust was signed, please contact us so we can update your file.

Remember, assets that are not transferred into the trust may have to go through probate.

CHANGE IN CIRCUMSTANCES?

Are you remarried, divorced, or widowed? Please contact us so we can update your file. If your circumstances have changed, we may need to review your estate plan and confirm that your plan follows your wishes. If you signed your trust in 1995, 1996, or early 1997, I will be sending you a review letter after the first of the year.

BUSINESS CARD

Many of you have indicated that you would like to forward my business card to your children or trustees. Since we are not able to send everyone the number of cards they may need at this time, I have recreated my business card below. Please photocopy this and forward it to your children or trustees.

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