

# ESTATE PLANNING ARRANGEMENT OUTLINE



GLOBAL  
WEALTH  
STRATEGIES &  
ASSOCIATES

## A Summary of Benefits

| Benefits   | No Will | Basic Will | Trust Will         | Basic Living Trust | Bypass with Living Trust | Bypass QTIP, <sup>1</sup> & Living Trust |
|--|---------|------------|--------------------|--------------------|--------------------------|--|
| <b>1. Allows you to select:</b>  |         |            |                    |                    |                          |  |
| <b>a. Beneficiaries of estate,</b>   | No      | Yes        | Yes                | Yes                | Yes                      | Yes                                      |
| <b>b. Executor of will,</b>  | No      | Yes        | Yes                | Yes <sup>2</sup>   | Yes <sup>2</sup>         | Yes <sup>2</sup>                         |
| <b>c. Guardians for children, and</b>  | No      | Yes        | Yes                | Yes <sup>2</sup>   | Yes <sup>2</sup>         | Yes <sup>2</sup>                         |
| <b>d. Trustees of trust.</b>   | No      | No         | Yes                | Yes                | Yes                      | Yes                                      |
| <b>2. Avoids probate costs.<sup>3</sup></b>  | No      | No         | No                 | Yes                | Yes                      | Yes                                      |
| <b>3. Provides asset management for children over age 18.</b>  | No      | No         | Yes                | Yes                | Yes                      | Yes                                      |
| <b>4. Protects estate owner from a conservatorship.</b>  | No      | No         | No                 | Yes                | Yes                      | Yes                                      |
| <b>5. Designed to save death taxes for couples.</b>  | No      | No         | Maybe <sup>4</sup> | No                 | Yes                      | Yes                                      |
| <b>6. Allows the first spouse to die to determine the ultimate beneficiaries of the estate in excess of \$13,610,000, while still deferring the death taxes.</b> | No      | No         | Yes                | No                 | No                       | Yes                                      |

<sup>1</sup> QTIP stands for qualified terminable interest property trust. <sup>2</sup> Each living trust is generally accompanied by a "pour over" type of will which picks up assets not put into the trust during lifetime and transfers them after death. Executors/guardians are named in a will. <sup>3</sup> If all of the assets are in the living trust, and such trust is properly structured, probate is not necessary. However, there will usually be some expense for legal advice or the transfer of assets not in the trust. Without a trust, probate costs may exceed 5% of the total estate. <sup>4</sup> Some trust wills contain bypass trusts designed to save death taxes, while others merely manage assets. <sup>5</sup> The applicable exclusion amount is the dollar value of assets protected from federal estate tax by an individual's applicable credit amount.

## Brief Description of Arrangement

- **No will:** Your estate passes to heirs picked by the legislature.
- **Basic will:** Generally passes everything to your spouse, if living, otherwise to your children when they reach age 18.
- **Trust will:** May contain bypass and QTIP trusts or may pass everything to your spouse, if living, otherwise for children.
- **Basic living trust:** Designed to avoid probate and provide asset management. Used for smaller estates and single persons.
- **Bypass with living trust:** Designed to set aside assets for specific heirs while giving the surviving spouse income and flexibility. Appreciation on assets inside the trust can avoid estate tax.
- **Bypass and QTIP with living trust:** Same as the bypass with living trust, plus it gives the first spouse to die more control over who will eventually receive his or her assets after the surviving spouse dies. Also called a QTIP trust.

## Estate Tax Rate

| Rate | Taxable Amount (Value of Estate Exceeding Exemption) |
|------|--|
| 18%  | \$0 to \$10,000                                      |
| 20%  | \$10,001 to \$20,000                                 |
| 22%  | \$20,001 to \$40,000                                 |
| 24%  | \$40,001 to \$60,000                                 |
| 26%  | \$60,001 to \$80,000                                 |
| 28%  | \$80,001 to \$100,000                                |
| 30%  | \$100,001 to \$150,000                               |
| 32%  | \$150,001 to \$250,000                               |
| 34%  | \$250,001 to \$500,000                               |
| 37%  | \$500,001 to \$750,000                               |
| 39%  | \$750,001 to \$1 million                             |
| 40%  | Over \$1 million                                     |

### Historical Estate Tax Exemption Amounts

| Period                  | Exemption Amount   | Annual Exclusion Gift Limit<br>(\$36,000 for spouses "splitting" gifts) |
|-------------------------|--------------------|---|
| 1977 (Quarters 1 and 2) | \$30,000           | N/A*  |
| 1977 (Quarters 3 and 4) | \$120,667          | N/A   |
| 1978                    | \$134,000          | N/A   |
| 1979                    | \$147,333          | N/A   |
| 1980                    | \$161,563          | N/A   |
| 1981                    | \$175,625          | N/A   |
| 1982                    | \$225,000          | N/A   |
| 1983                    | \$275,000          | N/A   |
| 1984                    | \$325,000          | N/A   |
| 1985                    | \$400,000          | N/A   |
| 1986                    | \$500,000          | N/A   |
| 1987 through 1997       | \$600,000          | \$10,000  |
| 1998                    | \$625,000          | \$10,000  |
| 1999                    | \$650,000          | \$10,000  |
| 2000 and 2001           | \$675,000          | \$10,000  |
| 2002 through 2010       | \$1,000,000        | \$11,000 (2002-2005) / \$12,000 (2006-2008)                             |
| 2011                    | \$5,000,000        | \$13,000 (2009-2012)  |
| 2012                    | \$5,120,000        | \$13,000  |
| 2013                    | \$5,250,000        | \$14,000  |
| 2014                    | \$5,340,000        | \$14,000  |
| 2015                    | \$5,430,000        | \$14,000  |
| 2016                    | \$5,450,000        | \$14,000  |
| 2017                    | \$5,490,000        | \$14,000  |
| 2018                    | \$11,180,000       | \$15,000  |
| 2019                    | \$11,400,000       | \$15,000  |
| 2020                    | \$11,580,000       | \$15,000  |
| 2021                    | \$11,700,000       | \$15,000  |
| 2022                    | \$12,060,000       | \$16,000  |
| 2023                    | \$12,920,000       | \$17,000  |
| 2024                    | \$13,610,000       | \$18,000  |
| 2025                    | \$13,610,000 ▲     | \$18,000 (Projected)  |
| 2026                    | <b>\$5,490,000</b> | \$18,000 (Projected)  |

(▲ Denotes government determined increase for inflation) (N/A\*: Prior to 1997, the Tax Relief Act did not exist.)