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Last Month:

- What is Probate
- Duties of an Executor
- Beneficiaries

Important Links:

Internal Revenue Service
Indiana Department of Revenue

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FOR SALE

BUSINESSES AVAILABLE

1. BRAND NAME garage door

2011 ESTATES & GIFTS

For the next two years, the gift-tax exemption jumps to $5 million from the previous $1 million individuals, and to $10 million from the previous amount of $2 million for couples This means peo can give away that much value in an estate without paying a penny in tax. In addition, the tax rate gifts above these amounts drops to 35% from the scheduled 55%. This is a boon to the ultra-wea individuals wanting to give away a sizable portion of their estate.

As a result, taxpayers are throwing away previous estate plans and crafting new ones before favorable terms expire. But while anyone with significant assets should consider tweaking t strategies, there are many financial and emotional elements to consider.

The gift & estate tax are linked to prevent the wealthy from draining their estates before deat avoid an additional tax levy. Gift-tax rates follow those of estate taxes, but in recent years exemption has been much lower. This discourages people from making large gifts. The curr exemption is separate from the annual gift exclusion of $13,000.

Even if you cannot or do not want to make large gifts, with the expanded gift & estate tax exempti of $5 million, this is a good time to review your will, especially if trusts are involved.

Over the past 26 months four sets of estate-tax rules have been in effect, with the indivic exemption bouncing from $2 million (2008) to $3.5 million (2009) to unlimited (2010) to $5 mil (2011).

Most worrisome are what is known as "formula clauses." These are provisions tying bequests to amount of the estate-tax exemption, and in the past estate planners used them to maximize amount a couple could pass to heirs tax-free. Through 2009, the value of one exemption was lo assets passed directly to a surviving spouse.

The trouble arises because this year's $5 million exemption is a far cry from the $1.5 million leve 2005, and it was only expected to last until this past December. So if a spouse dies in 2011 with a million estate and an unchanged formula clause, a surviving spouse might get nothing outr because all assets would go into a trust.

Another profound change in the new estate rules, called "portability," has long been sought American Institute of CPAs, and many hope it stays in the law even if rates or exemptions change a 2012. Portability allows each partner of a married couple to use the rest of the other's estate exemption. It especially eases planning when one spouse has a large, indivisible asset.

Let's take this example: David's assets include an interest in several businesses worth $3.5 mil and a $2.5 million individual retirement account. His wife Kathy has assets of her own worth $ million. Under that old law, planners would have had a hard time equalizing assets (IRAs have o one owner) to take advantage of the couple's current $10 million exemption. Portability means th Kathy died this year, her unused exemption would be reserved for use at David's death. If David c

installation and repair company - Marion County and surrounding counties.
2. “C” store
3. Beauty shop – Fishers
4. LAUNDROMAT – Indy East Side
5. Dry Cleaner

this year, there is no problem here either.

Although portability eases post-death planning and may eliminate the need for trusts, especially couples with assets well below $10 million, enough wrinkles remain on cost basis and other iss that estate planners aren't likely to starve. And tax writers did include what some are calling "black widow provision," which prohibits a taxpayer from piling up many $5 million exempti through serial marriages.

How to Avoid Probate

Avoiding probate doesn't have to be difficult. Many people use these simple and effective method ensure all, or some property passes to their heirs, without going through probate court.

Living trusts were designed to allow people make an end-run around probate. The advantag holding valuable property in trust is that after your death, the trust property is excluded from estate for probate purposes. However, assets in a trust are included as part of an estate for estat Inheritance tax purposes. The reasoning here is a trustee, not the individual, owns trust prope Upon death, a trustee can easily and quickly transfer trust property to heirs without prob Specified in the trust document, which is similar to a will, is the designation of who is to inherit property.

Bank accounts and retirement accounts can also be converted to payable-on-death accounts. Thi done by completing a simple form where a beneficiary is listed. And then when you die, the mo passes directly to a beneficiary without passing through probate. The same can be done with secu registrations, and, in some states, vehicle registrations. Some states allow transfer-on-death estate deeds that allow a transfer of property using a deed that doesn't take effect until you die.

Several forms of joint ownership provide a simple and easy way to avoid probate when the f owner dies. To take title with someone else in a way that will avoid probate, it must be stated on document showing you are the owner, and how title is held. When one of the owners dies, property transfers to the other joint-owner without probate.

Probate can be avoided by owning property as **Joint tenancy with right of survivorship**. Thi property owned in joint tenancy and automatically passes without probate to the surviving ow upon the death of the first. **Tenancy by the entirety:** In some states, married couples often take not in joint tenancy, but in "tenancy by the entirety." This is similar to joint tenancy, but can be u only by married couples, or in a few states, by same-sex partners who have registered with the st Both avoid probate. **Community property with right of survivorship:** If married or registered w the state as a domestic partner, and live or own property in Alaska, Arizona, California, Nevada Wisconsin, another way to co-own property with your spouse is available, called community prope with the right of survivorship. Holding title to property in this manner when one spouse dies, other automatically owns the asset.

Almost every state offers shortcuts to probate, or a way around it completely. For "small estat each state defines that term differently.

THESE ARTICLES MAY NOT BE USED FOR PENALTY PROTECTION