

Estate Planning Notice

The Election Is Over—Now What?

Favorable Gift and Estate Tax Exemptions and Rates Are Expiring

The election results have not determined the final outcome of the future of gift and estate taxes, but they have narrowed the possibilities. Persons who would like to discuss how these new developments affect their specific situations and existing estate plans should contact a member of the Vedder Price Estate Planning group at +1 (312) 609 7500.

The following is an executive summary of the most notable effects of the election on estate planning and wealth transfers.

■ Favorable Gift and Estate Tax Exemptions and Rates Scheduled to Expire December 31, 2012.

The current favorable federal gift, estate and GST tax exemptions and rates, set forth in the chart below, are scheduled to expire on December 31, 2012. If Congress does not act before then, these exemptions and rates will revert to their 2001 levels: exemptions will decrease to \$1 million and rates will increase to 55%.

The Obama administration has proposed estate tax and GST exemptions of \$3.5 million, a gift tax exemption of \$1 million and a top rate of 45%. In any event, it now seems unlikely that exemptions and rates will remain as favorable as they are now.

Summary of Changes to Federal Transfer Tax Exemptions and Rates:

	2012		2013 (if no action)		Obama Proposal for 2013+	
	Exemption	Rate	Exemption	Top Rate	Exemption	Top Rate
Gift Tax	\$5,120,000	35%	\$1,000,000	55%	\$1,000,000	45%
Estate Tax	\$5,120,000	35%	\$1,000,000	55%	\$3,500,000	45%
GST Tax	\$5,120,000	35%	\$1,430,000*	55%	\$3,500,000	45%

* The GST exemption shown for 2013 is a projection; the actual exemption would be \$1,000,000 indexed for inflation.

- **Using Trusts to Lock in Favorable Exemptions.** As the favorable gift and estate tax and GST exemptions are quickly approaching their expiration date, many individuals are making gifts to irrevocable trusts to lock in these exemptions and prevent the loss of significant tax benefits.

Married persons who wish to take advantage of the \$5.12 million exemption but are reluctant to part with assets should consider a gift to a trust for the benefit of their spouse. This requires careful planning to avoid tax rules that would undo the benefits of the wealth transfer.

Designing trusts to properly reflect a person's goals and transferring assets to these trusts takes time. Persons who are not ready to complete a gift this year may still be able to take advantage of the current exemptions by taking preliminary steps in 2012.

Persons interested in taking advantage of these exemptions should **contact a member of our Estate Planning group now** to begin the process so that it can be completed before year-end.

- **Estate Planning Interest Rates at All-Time Lows.** The IRS-calculated interest rates used in many estate planning techniques remain some of the lowest in the history of those rates. **The combination of low interest rates, a \$5.12 million gift tax exemption and depressed asset values creates a great estate planning opportunity.**

FEDERAL TAX NOTICE: Treasury regulations require us to inform you that any federal tax advice contained herein is not intended or written to be used, and cannot be used, by any person or entity for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.

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Estate Planning Group

Vedder Price has long recognized the importance of estate and financial planning, and its attorneys have taken leadership roles in the development of this changing area of the law. The firm's practice in this area has grown steadily, and now has both a national and an international scope. Vedder Price's attorneys combine technical experience in all aspects of estate and financial planning with a strong appreciation of personal values, priorities and goals, as well as the unique needs of business owners.

The firm represents clients with diverse personal objectives and financial interests, including individuals with large estates; individuals with personal situations requiring special planning; owners of closely held businesses; and corporate executives, professionals and inheritors. Vedder Price's estate and financial planning attorneys also represent executors, administrators, trustees and guardians. In addition, the firm provides estate and financial planning counsel to businesses, not-for-profit organizations and other professionals who consult with Vedder Price regarding their own clients.

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