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## The GSH

# 60-Second Memo

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*Sponsored by the GSH Estate & Asset Protection Planning Group*



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### **Estate Planning Crucial During Down Economy**

By Eido M. Walny, Esq.

It is no surprise to anyone that the U.S. economy is struggling. Your 401(k) is down. Your child's 529 Plan is a shadow of its former self. Your business is besieged. But lurking in the economic downturn is opportunity. Real estate is cheap and stock prices are low. The federal estate tax exemption amount has ballooned to \$3.5 million, capital gains and income tax rates remain low, and the Wisconsin estate tax has disappeared - for now. These conditions present a historic (if fleeting) opportunity to protect your assets and plan your estate efficiently.

A large part of advanced estate planning relies on asset valuation. We constantly look for strategies to reduce the real or perceived value of various assets. These strategies help us effectively leverage gift and estate tax exemption amounts which enable us to transfer the greatest amount of value - while paying as little tax as possible.

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A window has been opened to transfer assets with temporarily depressed value. For example, the annual gift tax exemption amount is currently \$13,000 per person per person. If Mom's stock holdings have lost a significant percentage of value, she can transfer \$13,000 of currently valued stock to each of her children this year without worrying about gift tax issues. The current market degradation allows her to leverage her gifts and reduce the worth of her estate at death - this is especially effective if the stock portfolio were to explode in value in the future.

Additionally, asset valuation experts are taking significantly greater discounts than in the past. For example, say you own 40 percent of a successful family business and want to transfer your interest into an asset protection vehicle. The IRS will require a professional appraisal in order to calculate tax liability. Thanks to the poor economy, the underlying value of your interest is already likely to be diminished. In addition, accounting discounts for lack of marketability and the minority interest discount can be added. Those discounts could have amounted to 15-20 percent in the past, but could total 40 percent or more today, substantially reducing your potential tax exposure.

It is difficult to forecast how long these ideal market conditions will last, but the window for taking advantage of this favorable tax environment is closing fast. This combination of high exemptions, low tax rates, and diminished valuations is not sustainable. When this "perfect storm" passes, this unique opportunity to protect your assets and plan your estate will be lost.

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