

BRIER & GEURDEN LLP

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End of Year Planning Alert

Dear Clients and Friends:

I am contacting you today with a time-sensitive tax planning opportunity. As you may know, President Obama signed a tax bill last week that made some significant changes to estate, gift, and generation-skipping transfer taxation for this year (2010) and for 2011-2012 as well. The new law means that it will be important to revisit your estate plan, particularly if you made changes in 2010 when there was no federal estate tax. However, the new law also creates an unprecedented opportunity for transferring wealth at a much lower tax cost than ever before. This opportunity likely will be of interest to only a limited number of individuals with sufficient wealth to be concerned with generation-skipping transfers, but for such persons, it may represent a once-in-a-lifetime tax break. The only caveat is that this planning MUST be implemented by year-end.

Year-end planning can save a substantial amount of transfer taxation in the following areas:

1. A trust for grandchildren (or better yet, great-grandchildren) could be created in 2010 that is fully exempt from generation-skipping and estate tax in one or more generations. After a period of time, children if the trust initially is for grandchildren (or both children and grandchildren if the trust is initially for great grandchildren) could become beneficiaries of the trust as well. Such a trust may require the payment of gift taxes (at the lowest rate such taxes have been in decades), but will not deplete your existing exemption from generation-skipping transfer taxation. (That exemption, which has increased to \$5 million, will remain available for additional recommended planning for the next two years.)

2. An existing trust for your children and more remote descendants might be modified or terminated in a number of different ways that would result in property passing to grandchildren (or even great grandchildren if you have any) with no tax at all. A similar termination of such a trust in a later year will be subject to generation-skipping transfer taxation, at rates that have been as high as 55% in the past. Currently, the GST tax rate is scheduled to be 35% in 2011-2012, and to return to 55% in 2013. However, property could be transferred this year out of existing trusts with no taxes paid if completed this year.

3. Outright transfers (without the benefits inherent in trusts) can also be made to grandchildren (or more remote descendants) without being subject to transfer taxation or

depleting certain exemptions, which will not be the case in 2011 and beyond.

What we have is a unique opportunity to transfer wealth to younger generations at a lower tax cost than ever before, and to shelter that wealth from taxation for multiple generations while still retaining the ability to do future multi-generational planning. If you are interested in discussing this time-sensitive planning, please contact us without delay.

Very truly yours,

Ken

Kenneth P. Brier

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