

CITRON & DEUTSCH - Estate Planning Update November - 2008

With all of the financial uproar this past few weeks, it has given us all a chance to reflect on where we are and where we are going to be sooner or later. Issues such as liquidity and portfolio growth (or contraction) along with a changing political landscape, suggest that we reevaluate our estate plan and its viability in today's climate.

OVERHAUL OF THE ESTATE TAX LAWS

The estate tax laws are going to be overhauled. Currently there is a \$2.0M lifetime exclusion from estate taxes for each U.S. Citizen. This amount is due to be increased on January 1, 2009 to \$3.5M. For one year, 2010, there is no Estate Tax, then in 2011 the exclusion comes back at \$1.0M (much reduced amount).

PURPOSE FOR THE LAW

When the current laws were put into effect in the year 2000, the government had a surplus of \$390B and anticipated more of the same. Congress purposefully made 2009/2010/2011 very different to force the new Congress to redo the law based upon financial conditions which occurred since the law went into place in 2000.

INCOME FROM THE ESTATE TAX

The government earns about \$100B a year from Estate Taxes. 2% of the population pays these taxes, the upper 2%. There have been several attempts to pass new laws, which have failed to gain momentum in Congress, and, it is likely that there will be a new law next year, since the U. S. government cannot do without this income in 2010.

WHAT TO DO NOW

With this in mind, some of the key issues to consider for your personal estate planning are as follows:

1. Be sure to have a will and revocable trust in place along with health care directives

for making medical decisions. You do not want your family burdened with a probate or with the inability to make the right decisions regarding your health care if you cannot.

2. Make sure all of your assets are in the name of the trust. If they are not, they may be subject to a probate.
3. Do some financial projections to determine if there is enough asset-base to take care of you and your family while you are alive and after you are not.
4. Consider the tax issues surrounding your estate. There may be gifts to be made now to reduce the tax burden on your children.
5. There may be assets to sell that have a higher value while you are alive and healthy. If your assets are relatively illiquid be sure to do planning that will allow for time to liquidate, and that there are financing options or life insurance to make up a shortfall on liquidity.
6. Reconfirm that you have appointed the right people to be successor trustees and guardians of your children.

ACTIONS TO TAKE AFTER THE NEW LAW PASSES

When the new law passes, determine how it impacts your estate plan that is already in place. If there are changes to be made based on the new law, make them quickly so your estate plan places your family in the best position possible.

IS THIS WHAT YOU WANT

Most importantly, review your estate plan to make sure it is what you really want to happen after you are gone. This perspective changes over time as you see your children grow and set their own financial values.

And, if you have questions, please be sure to call us.

Best Regards

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