Estate Planning News

Summer 2015

Review Your Life Insurance Policies

The amount that you pay in premiums for a whole life insurance policy does not necessarily stay the same even though you have been paying the same premiums for years. Sometimes you may be able to stop paying premiums. In some cases, you might need to pay additional premiums to maintain the face amount of the policy. If you have questions about your whole life insurance policies, you should contact your life insurance agent and request an "in-force illustration."

Income Tax And Your Will

When the estate tax exemption amount was low (for example, $675,000 per person in 2001), it was necessary to include a family trust (also called a credit shelter trust) in wills so that both spouses' exemptions would be sheltered from estate tax at the second spouse's death. Now that the estate tax exemption amount is much higher ($5,430,000 per person) and the surviving spouse has the ability to preserve the deceased spouse's unused exemption amount, the family trust is no longer a necessity and may actually have a downside for income tax purposes.

When someone dies, the deceased person's assets receive a "step-up" in cost basis. This means that the assets are revalued based on current prices rather than the price at which the assets were originally purchased. The step-up in basis reduces or eliminates any capital gains tax that an heir might owe when he or she sells the inherited asset in the future.

When a deceased spouse's assets pass to the surviving spouse, those assets receive a step-up in basis upon the death of the first spouse and another step-up in basis upon the surviving spouse's death. Similarly, when assets are transferred to a family trust upon the first spouse's death, those assets receive a step-up in basis. However, when the surviving spouse dies, the family trust assets do not receive a second step-up in basis. Therefore, the beneficiaries of the family trust could owe a capital gains tax on those assets that may have been avoided if assets were left to the spouse outright.

Despite losing the second step-up in basis, a family trust has non-tax advantages. A family trust can (1) ensure that your assets pass to your children even if a spouse remarries, (2) protect trust assets from the surviving spouse's creditors, and (3) avoid the cost of filing a federal estate tax return to elect portability.

If you are interested in learning more about the advantages and disadvantages of a family trust in your will, please contact us.

Goddard & Goddard, P.C. partners with clients on estate planning and estate administration matters, including related issues in real estate, oil and gas, business and tax law, and charitable planning.

Susan B. Goddard
(303) 292-3228
susan@goddardandgoddard.com

Miranda K. Hawkins
(303) 567-7920
miranda@goddardandgoddard.com

Jo Anna Goddard, Of Counsel
(303) 292-3228
joanna@goddardandgoddard.com

GODDARD & GODDARD, P.C.
ATTORNEYS AT LAW

1444 Blake Street
Denver, CO 80202
(303) 292-3228
www.goddardandgoddard.com

GODDARD & GODDARD, P.C.

1444 Blake Street
Denver, CO 80202

Estate And Gift Tax Report

This year, the federal estate tax exemption is $5,430,000 per person ($10,860,000 per couple) and the top estate tax rate is 40%. The annual gift tax exclusion amount is $14,000 per person or $28,000 per couple.

Firm News

Goddard & Goddard, P.C. is pleased to announce that Gail Kallas has joined the firm as a paralegal.

In May of 2015, Susan B. Goddard and Miranda K. Hawkins spoke at a seminar entitled "Wills and Trusts, What's the Fuss? Understanding Estate Planning & Probate."

In December of 2014, Miranda K. Hawkins spoke on estate planning and probate issues to the U.S. Environmental Protection Agency.

In November of 2014, Susan B. Goddard spoke about estate planning and aging parents for the Senior Women's Corporate Counsel.