



The Beacon

A Newsletter from the Law Offices of Boyd & Boyd, P.C.

*In the Spirit of the Season We Extend Our Sincere
“Thank You”*

*May the good things of life be yours in abundance, not only at Thanksgiving
but throughout the coming year.*

Sincerely,
LAW OFFICES OF
Boyd & Boyd, P.C.

THE FISCAL CLIFF - DON'T LET YOUR ESTATE GO OVER THE EDGE!!

\$5.12 Million Exemption Falls to Only \$1 Million on Jan 1, 2013

With December 31, 2012's deadline fast approaching, Congress is running out of time. Fortunately, you don't need to wait for an Act of Congress to preserve and protect your estate from Death Taxes! Several flexible techniques are available right now that offer huge transfer tax savings. As of today, the Gift and Death Tax Exemption falls from the current whopping \$5,120,000 to a mere \$1,000,000. Consequently, the tax laws are screaming to many families “ACT NOW!!!”

Many techniques are available to protect and preserve your estate. One technique getting a lot of attention recently is the “Reverse Defective Grantor Trust”. A recent article in Trusts & Estates magazine explains the technique in detail. This

innovative approach takes advantage of existing tax law to remove large amounts of assets from the taxable estate, while providing an opportunity for the client to use and enjoy the assets previously given away.

In essence the Reverse Defective Grantor Trust works like this:

- The client creates an Irrevocable Trust. The assets owned by this Irrevocable Trust will not be a part of the clients estate. However, any income earned by this trust will be taxed to the client. This way any transfers between the trust and the client have no income tax consequence.
- Next the client gifts assets to the trust. A client may gift smaller amounts, but is allowed to gift up to \$5.12 million (or whatever remains of the client's unused exemption) without paying any gift tax. If the client were to gift in excess of

his or her unused exemption amount, a gift tax would be due at a rate of 35% of the amount over the exemption amount (ie. \$5.12 million). Gifts in excess of the exemption amount made next year will be taxed at rates between 41% to 55%. The client must file a Gift Tax Return (Form 709) by April 15, 2013 if the amount gifted during 2012 to the trust exceeds \$13,000. A Gift Tax Return for gifts made in 2013 will be required for gifts in excess of \$14,000.

- After the gift is made, the client may buy, at fair market value, some of the assets back from the trust in exchange for a promissory note. It is recommended that annual interest payments be made to the trust.

As a result of the “buy-back” the client may own the assets at death, in which case there is the opportunity to take advantage of the step-up in basis. Other estate planning techniques, such as the QPRT and the BTRT, result in a loss of the basis step-up. Is this technique right for you? Call for a free consultation. We will review the technique with your family’s situation in mind and explain the pros and cons.

SEMINARS

We continue to provide seminars over the course of the year. Our main seminar, "Put Not Your Trust in Money ~ But Put Your Money In the Right Kind of Trust" gives a great overview of some of the many improvements we have implemented over the last couple of years.

We also have a seminar especially for you & your successor Trustee. This seminar gives your successor trustee the information they will need to understand their role in your estate plan. I urge you and your successor trustee to attend this special seminar.

Call (800) 382-3439 ext. 4 and reserve a seat for you and your successor trustees at our "A Walk Through your Trust" and our "Successor Trustee" Seminar. These seminars are expected to fill up, so don't wait to call!

For More Information Contact

THE LAW OFFICES OF

Boyd & Boyd, P.C.

“You create the legacy. We create the plan.”

Visit us on the Web:

BoydandBoydPC.com

e-mail: plan@boydandboydpc.com

(508) 775-7800 Tel.

(508) 775-5666 Fax

Upcoming Seminars

A Walk Through Your Trust

Boyd & Boyd, P.C.

1060 Falmouth Road

Hyannis, MA

Sat December 1, 2012

10:00 AM - 12:00 PM

Successor Trustee Seminar

Boyd & Boyd, P.C.

1060 Falmouth Road

Hyannis, MA

Sat December 1, 2011

1:00 PM - 3:00 PM

24 Hour Reservation line ~ Call (800) 382-3439