

The “Daily Plan-It™”

Davis Schilken, PC

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Talking to Clients about the Estate Tax

When 2010 ends, the Federal Estate Tax returns. Talking about it now could save your clients money.

It's already October, and despite all the rhetoric, Congress has yet to do anything tangible to address the automatic return of the Federal Estate Tax.

While there was talk in D.C. among both political parties of renewing 2009's exemption level of \$3.5 million per individual and \$7 million per married couple, nothing has been done.

We could blame the nation's debate over health care reform for taking up legislators' time this year or their preparations for mid-term elections; but none of that matters now. The tax is returning in about 60 days and the question is, how are you going to talk to your clients about it?

Acknowledge the Unknown and Plan for It!

Don't be afraid to talk about it. Be frank with clients in warning them that if they don't take action to adjust their estate plans, their families could lose a lot of money unnecessarily to taxes.

Use a celebrity case as a conversation starter. Bring up the death of George Steinbrenner. Since he died in 2010, his heirs won't face federal estate taxes on his assets. But next year, regular folks like your clients and their families will have to worry about it.

Nobody knows what Congress will or won't do on this issue. And it's OK to tell clients that you don't know either. Many lawyers and advisors assumed that Congress would not have waited so long to act. This makes it difficult to recommend a course of action, but many plans include contingencies.

A Variety of Options

First, do the easy stuff; discuss what they can do to update their estate plan to maximize their current planning to deal with the higher tax.

Second, discuss gifting strategies like the \$13,000 annual exclusion. You also have other options

excluded from the gift tax, such as paying for educational or medical expenses, creating a Trust, and converting traditional retirement accounts into Roth IRAs.

Third, suggest that your clients come in for a review of their financial plan in light of the estate tax exemption dropping to \$1 million in January. Reassure them that you want to make sure they have enough money for long-term care and for taking care of their loved ones.

Get Them in Your Office

The time to talk is now, not later. Reach out to your existing clients who are at risk and who haven't been in touch for awhile. You know who they are. It's important to help clients understand the complexity of the tax laws so that their money ends up where they want it.

As always, I hope you and your clients have been helped by this article. If you have a specific case or concern, please contact our office.

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