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Looking Ahead

Estate Planning Is Important – Even With Higher Exemption

In 2016, the estate and gift tax exemption is \$5.45 million per individual, up slightly from \$5.43 million last year. This means a married couple can shield up to \$10.9 million from federal estate and gift taxes this year. The annual gift exclusion remains at \$14,000 this year, the same level it's been since 2013.

For some manufacturing and distribution business owners, these numbers are comfortably high. In many cases, \$10.9 million will cover most if not all of their estates. For others, though, the \$10.9 million exemption is still not high enough to protect their hard-earned assets from estate taxes.

But everyone, regardless of their level of wealth, should be actively engaged in estate planning — if not for tax purposes, then for stewardship reasons. Single or married, with or without children, the last place most taxpayers want their extra dollars to go is to the U.S. Treasury. The good news is that there are many methods to help ensure that your wealth goes where you want it to after you die.

Consider a Trust

Many well-crafted estate plans include trusts of various types, not only to minimize estate taxes but also to control assets. Trusts are powerful planning tools that allow taxpayers to stipulate how their assets are distributed.

For example, a credit shelter or bypass trust lets you transfer assets to your spouse or children free of estate tax. Similarly, a generation-skipping trust allows you to transfer money tax-free to beneficiaries who are at least two generations younger (typically grandchildren).

A qualified personal residence trust (or QPRT) removes the value of your home from your estate by giving it as a gift to your heirs. This trust lets you keep control of the home and continue to live in it for a period of time you stipulate.

For those with special circumstances, such as families with stepchildren, a qualified terminable interest property (or QTIP) trust allows a spouse to receive income from the trust during his or her lifetime. After the spouse's death, the remainder of the principal goes to designated beneficiaries — typically, your own children versus your stepchildren.

If you have a relative with special needs who depends on your financial support, meanwhile, a special-needs trust may be the answer.

Don't Forget Philanthropy

Leaving a philanthropic legacy can be an important part of many estate plans. If you are passionate about a specific charitable cause — whether related to a medical condition, the arts, the environment, science, education or another effort — it's worthwhile to consider these interests in your estate plan. A direct gift in your will, or a charitable remainder trust, are options to accomplish this goal.

You can also manage this type of giving through a private foundation or a donor-advised fund (DAF) at a community foundation. Both arrangements allow you to put assets toward whichever charitable purposes you desire and control the distribution of funds.

Note that some trusts and other estate-planning tactics are irrevocable and non-amendable. Therefore, before taking any action, be sure you thoroughly review the positives and negatives with your tax and estate planning advisors.

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Ready to discuss your estate plan? Call us today to determine the next steps.



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