# The "Daily Plan-It™"

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## *Will Suicides Increase Among Elderly to Beat Return of the 'Death Tax?'*

Knowing that the return of the Federal Estate Tax is dwelling on the minds of advisors and their clients, the *Wall Street Journal* ran an interesting piece (**http://tinyurl.com/2cpmsuc**) about elderly and sick clients considering suicide before the end of the year, to ensure that their heirs receive their estates tax-free.

There is no estate tax in 2010, but on Jan. 1, 2011, it returns at a $1 million exemption per person ($2 million per married couple), down from $3.5 million in 2009 ($7 million per married couple), and a 55% top rate, up from 45%. *(Note: Getting the double exemption requires proper estate planning.)*

Imagine an elderly or ill client asking: "If I killed myself now, will my kids inherit my total estate?"

I suspect most advisors would be alarmed, and possibly suggest immediate counseling. But in today's "macabre world of estate planning 2010, such questions are relevant," states the WSJ. *(By the way, the answer is yes. Suicide doesn't affect estate taxes, but it can affect insurance payouts.)*

### 'Best Year to Die' — A Joke Becomes a Truth?

The WSJ article highlights that the estate tax's return presents ailing clients with an incentive not to live but to die — saving heirs as much as 55 cents of tax on a dollar of assets.

The current debacle started late in 2009, when the Senate failed to pass the House's extension of the 2009 exemption and top rate. That caused the tax to halt for 2010. The lapse was enacted in 2001 as part of the Economic Growth Tax Relief Reconciliation Act. No one expected it to take effect, but lawmakers failed to fix it.

### How Do You Talk to Clients About This?

Death is never a great tax planning strategy, and it's difficult for advisors to answer when confronted with the question. While our clients have joked about it, we have noticed that the joking has a much more serious tone to it.

### Death Isn't the Answer; Aggressive Planning Can Reduce an Estate Tax Burden

Take this awkward conversation and convert it into a planning opportunity. If death is on the horizon, encourage clients to take advantage of wealth protection strategies that can reduce the size of an estate. For example, each taxpayer can make annual gifts of $13,000 tax-free to anyone, with no limit on the number of recipients. Medical payments, including health insurance, are tax-free, and tuition can be prepaid.

Clients can also look to taxable gifts and generation-skipping trusts. These require good legal help and should be done with the assistance of an experienced estate planning attorney. It's best to advise clients to make arrangements now rather than later.

There are many opportunities to help families with an estate tax burden. The key is to turn their fear into a motivation to plan. If the tax is repealed (doubtful) or the exemption increased (possible), then the planning needs to take these changes into consideration. Most well-thought-out plans contain such flexibility. Don't look upon the return of the estate tax as a stumbling block; turn it into an opportunity to help your clients.

If you are interested in learning various estate planning techniques that may generate income for your practice please contact me at the number below.

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