21st Century Estate Planning Goals

21st century estate planning goals have changed as most people are not affected by federal death taxes. With the passage of the "American Taxpayer Relief Act", the emphasis must now be saving <u>capital gains tax</u> which currently is 24.3% (20% federal + 13.3% CA on taxable income above 39,600 plus 2.85% Obama tax if adjusted income is more than 285K in year of sale). The old goal still exists for estates larger than 5.35 million for married couples, but there are probably fewer than ¼ of 1% of those.

8 Ways Capital Gains Tax Can Be Reduced:

√ by arranging **title** of real estate or stock to NOT be in joint names;

√ by amending current trusts to **NOT put the maximum possible into the By-pass** Trust also known as the "B" or "exemption" trust.

√ by **converting family limited partnerships** into limited liability companies;

√ by **NOT using <u>irrevocable</u> trusts** in estate planning;

√ by **converting family corporations** into limited liability companies;

√ by **NOT giving** children appreciat<u>ed</u> or appreciat<u>ing</u> assets **during either parent's lifetime**.

√ by keeping provable records of **suspended deductions** on each asset for later use in offsetting the amount taxable. These are deductions which couldn't be used in prior tax years. This requires holding the asset in a non-personal entity.

√ by **selling** appreciated asset **over several years** so as to hopefully be under the $39,600 taxable value in any 1 year and thus be in a lower bracket for CA capital gains tax.