The "Daily Plan-It™"

ESTATE & BUSINESS LAW GROUP, P.C.

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Now is the Time to Encourage Your High Net Worth Clients to Plan

In our previous issues, we discussed that there has never been a greater time to do planning.

The combined effect of depressed real estate, low stock market values, low interest rates and a $3.5 million Federal Estate Tax exemption truly makes for a perfect opportunity for planning.

So why is everyone waiting to take action? Perhaps clients have developed a financial fatigue from watching so many of their investments dry up. It has them so paralyzed with fear that they hesitate to make any planning moves at all.

Two More Reasons to Act Now

Well, we now have two more reasons to encourage our high-end clients to act on their planning – and why they should do it now before any laws change.

The Obama Administration has proposed changing the law to reduce the effectiveness of two estate planning strategies that have been quite popular.

If successful, these changes could greatly impact the planning area for high net worth clients. They would lessen the number of tools we use to protect clients from their estate tax burdens.

GRATs Restricted

The Administration's first approach is to reduce the usefulness of Grantor Retained Annuity Trusts (GRAT).

The Administration proposes that GRATs have a minimum term of 10 years. If a Grantor were to die during the 10-year period, then the entire GRAT amount will be included into his or her estate.

This would obviously limit a GRAT's effectiveness in planning for someone who is, for example, 80 years old.

However, if the only downside was that the assets would be included back in the Grantor's estate, then he or she would be no worse off for trying.

Limit on Valuation Discounts

The Administration's second proposal is to eliminate or reduce valuation discounts on FLPs, Family Investment Companies and LLCs.

Families who use these strategies often discount the assets in the partnership by as much as 40 percent when valuing it for estate-tax purposes. The Administration wants to limit this ability.

If either proposal becomes law, each could have a major impact on planning. But if they do not become retroactive, then your high net worth clients have two more urgent reasons why they should act now.

We will keep you advised as these proposals progress.

I hope that this article helps you and your clients. As always, if you have a question or concern about a specific case, please contact our office.

Workshop Schedule

The Truth about Estate Planning
Tuesday, June 16 – 7:00 pm
Tuesday, July 14 – 7:00 pm

IRA Preservation Planning
Learn how to properly protect your IRAs and what the IRA Preservation Trust can do!
Thursday, July 9 – 7:00 pm OR at a mutually convenient date in your office – you are welcome to invite your clients!

*On February 8, 2006, President Bush signed into law the Deficit Reduction Act of 2005 (DRA 2005), which included the most sweeping changes to **Medicaid** laws ever enacted.*

Medicaid Planning Workshop
The new Medicaid laws and some of the planning options that are still available, even in light of these sweeping changes.
Tuesday, June 23 – 7:00 pm
Tuesday, July 21 – 7:00 pm

Registration: *Contact Mary Lang at (847) 367-4460*
http://eblawgroup.com

ESTATE & BUSINESS LAW GROUP, P.C.
Howard M. Lang, J.D. & Marguerite A. Kopke, J.D.

847-367-4460

We invite you also to direct your clients to
http://eblawgroup.com/FAQ_medicaid.htm
for more information on Medicaid Planning.