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WEALTH PRESERVATION SOLUTIONSSM
SINCE 1970

“BE ALERT IN 2009”

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We now find ourselves in unprecedented economic times requiring a strong stomach for turbulence. The equity markets have contracted to levels unseen since 1997. Our government has attempted to be proactive to stimulate the economy and our financial system. These circumstances and the marketplace have created opportunities for taxpayers. We need to remain focused, vigilant and responsive, and not be distracted in the midst of the current economic turbulence.

First, a new law suspends certain Required Minimum Distributions (RMD) for 2009. Be aware that IRA owners who turned 70 ½ in 2008 and are waiting to take their first RMD on their required beginning date of April 1, 2009 should take their distribution as scheduled. However, those same account holders will not be required to take a second RMD for 2009. Another opportunity exists for those age 70 ½ and older to make a direct gift from the IRA to a qualified charity. A transfer of all or a portion of RMD to a qualified charity will generally result in lower taxable income. There is a \$100,000 limit per taxpayer, but a married couple may each give up to \$100,000 from two separate IRA accounts.

The annual gift tax exemption has increased to \$13,000 per individual and \$26,000 per married couple. This gives greater opportunity to those using gifting plans to minimize estate tax exposure. The lifetime gift tax exemption remains at \$1 million per individual. Now is a great time to consider gifts because values are at historically low levels allowing your gift to have a greater impact than at any other time this decade.

In 2009, the estate tax exemption increased to \$3.5 million per individual and a married couple, with proper estate planning, can pass \$7 million estate tax-free to their heirs. This jump in the estate tax exemption by itself dictates a review of your current estate plans because many estate plans use a formula that is defined

by the estate tax exemption amount. Failure to adjust your existing estate plan could result in lost exemption or insufficient funds for a surviving spouse.

Many are asking - what is the future of the estate tax? We believe that it is highly doubtful that the federal estate tax will be repealed. President Obama has pledged to take action on the estate tax in 2009 to avoid the slated complete repeal of that tax during the year 2010. We expect that the maximum estate tax rate will continue to be 45% with the estate tax exemption settling at \$3.5 million, per individual. Congress is also likely to pass legislation that will restrict popular estate planning techniques, such as Grantor Retained Annuity Trusts and Family Limited Partnerships. As the legislation progresses we will provide further email updates.

2009 is an important year. Keep your eyes and ears open as the government acts aggressively to stabilize the economy. You will need to be able to respond appropriately and prudently. The best way to accomplish that is by keeping in touch with your tax and estate planning professionals.

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