



Sample Estate Distribution

We reviewed estate planning documents that provided for the following:

- On the first spouse's death, the maximum amount exempt from federal estate tax would be held in a family trust for the benefit of the surviving spouse and children.
- The balance of the first spouse's estate would pass to a marital deduction trust for the sole benefit of the surviving spouse.
- On the surviving spouse's later death, assets remaining in the family trust and marital deduction trust, along with the surviving spouse's own estate, would pass to the children.
- Insurance on the husband's life was held in an irrevocable trust for the benefit of the wife and children.

We charted out how the husband and wife's estates would be distributed under these documents, taking federal and state estate taxes into account.

- Our clients were able to see how their assets would actually flow.
- Joint assets and retirement accounts would not be available to fund either a family trust or marital trust as they would pass by operation of law or beneficiary designation.
- The children would receive a significant sum, even after the payment of estate taxes, causing our clients to think about longer-term trusts and possible generation-skipping trusts for their children and grandchildren.
- Our clients decided to add charitable bequests to their estate plan.
- Subsequent discussions with the client included consideration of various strategies to reduce their potential estate tax liability, including:
 - Annual exclusion gifts, outright and in trust
 - Funding 529 college savings plans for grandchildren
 - Qualified Personal Residence Trusts (QPRTs)
 - Grantor Retained Annuity Trusts (GRATs)
 - Family limited partnerships
 - Intra-family sales strategies
 - Charitable gifts

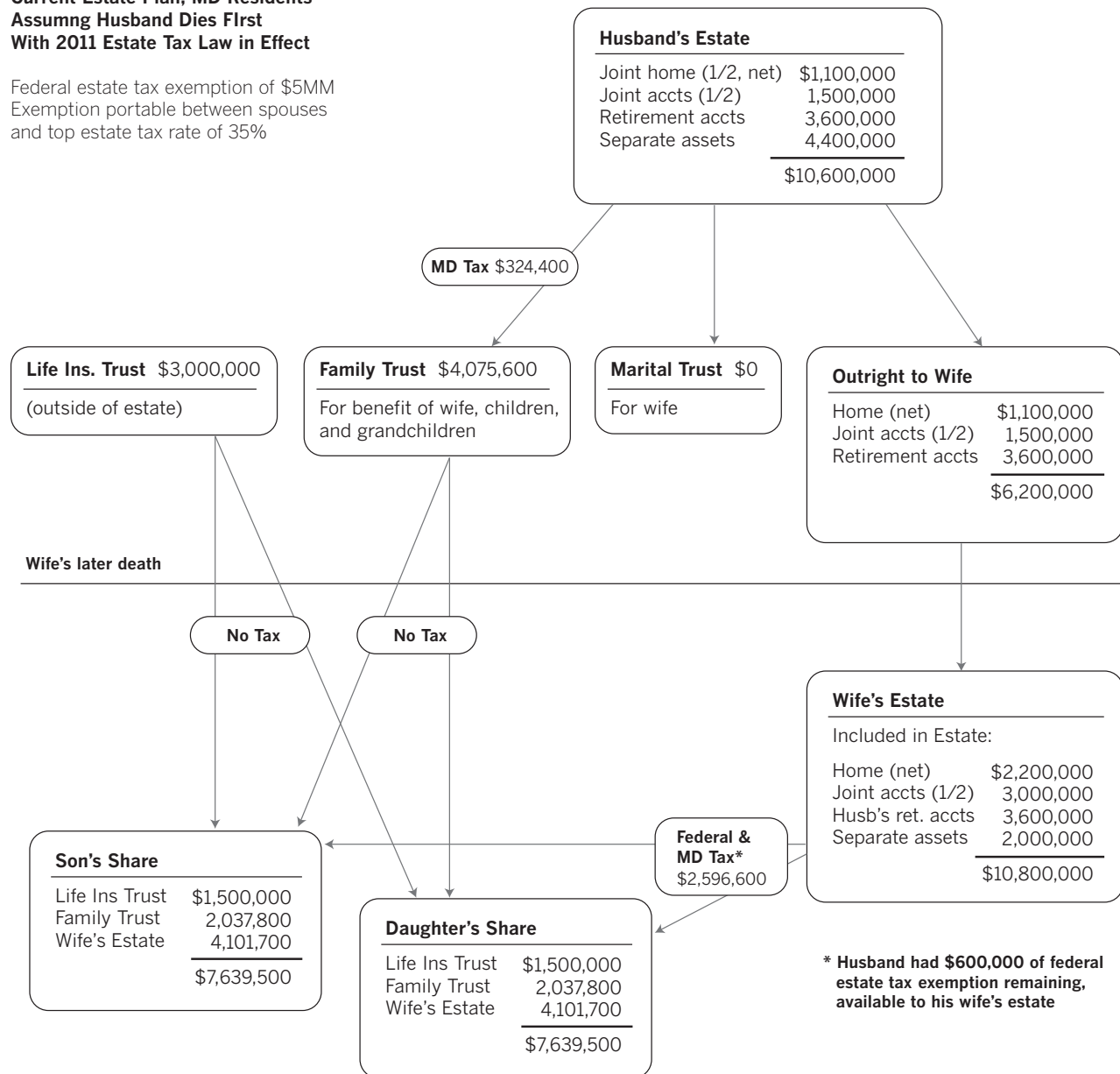
We also illustrated the impact of lower estate tax exemptions and higher estate tax rates that could apply in the future.

(see next page)



**Current Estate Plan, MD Residents
Assuming Husband Dies First
With 2011 Estate Tax Law in Effect**

Federal estate tax exemption of \$5MM
Exemption portable between spouses
and top estate tax rate of 35%



* Husband had \$600,000 of federal estate tax exemption remaining, available to his wife's estate

Total estate taxes paid	\$2,921,000
Total Passing to/for Son	7,639,500
Total Passing to/for Daughter	7,639,500
	<u>\$18,200,000</u>