



GEORGETOWN PREPARATORY SCHOOL PRESENTS

“Tools of Estate Planning for Tax Savings – 10 Rules”



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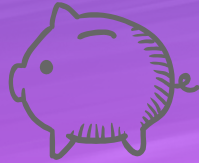
Theresa Pierce is an associate in the Estate and Trust practice of Furey, Doolan & Abell, LLP. Born and raised in the Washington, D.C. area, Tess graduated from Georgetown Visitation Preparatory School and proceeded to receive her B.S., cum laude, from Georgetown University McDonough School of Business and her J.D., cum laude, from the University of Maryland Francis King Carey School of Law. At Maryland Law, Tess was an Articles Editor for the Maryland Law Review and a student attorney in the Gender Violence Clinic, where she represented clients in divorce, custody, and marital property matters.

Georgetown Preparatory School

Tools of Estate Planning for Tax Savings

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**What This is Not
About.**





Non-tax Considerations

- Taking care of yourselves first.
- Retain sufficient assets
- Insurance – Life, health, disability, long-term care
- Management and care in case of disability – powers of attorney, trusts, advance directives
- Means of disposition -- will or revocable trust beneficiary designations
- Choice of fiduciaries – personal representatives, trustees, agents
- Protection of assets for beneficiaries --trusts for management and trusts for protection against creditors and a bad marriage

Tax Background





Taxes¹

Estate Tax

Federal tax on transfers at death (snapshot of all assets)

Also imposed at State level for some

Gift Tax

Tax on transfers during life

\$17,000 annual exclusion

GST Tax

“Generation-Skipping Transfer” Tax

Tax on certain transfers to grandchildren and more remote descendants

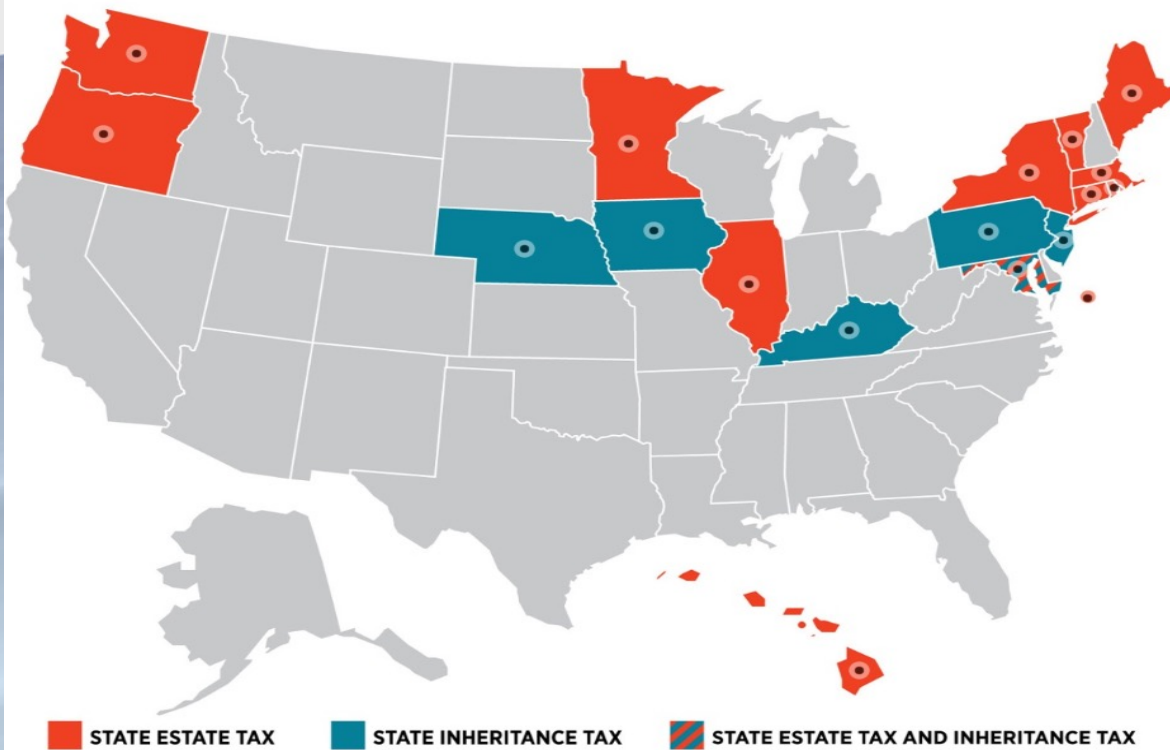
1. **Note:** None of these taxes apply to marital or charitable gifts.

2023 Tax Exemptions and Rates

	Maryland	D.C.	Virginia
Federal Estate & Gift Tax	\$12.92 m 40%	\$12.92 m 40%	\$12.92 m 40%
State Estate Tax	\$5 m* 16%**	\$4.53 m* 16%**	N/A
Inheritance Tax	10%*	N/A	N/A

*Federal and Maryland exemptions are portable. D.C.'s is not.

**Top rate.



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Rule 1:
**Take care of yourself
and your spouse first.**





Rule 1

- There are many things more important than saving taxes
- Consider your needs and your spouse's
- Don't give away anything if doing so will give you a moment of disquiet – even unreasonable disquiet.

**Rule 2:
Use or Preserve
Deceased Spouse's
Exemptions.**

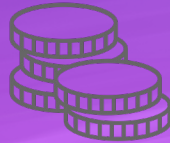


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Flexibility

- Need for flexibility
- Use of Exemption with bypass trust or portability – pros and cons
- Disclaimer trust or marital trust for spouse
- Timely file estate tax returns to preserve portability even if the deceased spouse is below the threshold for filing

Rule 3
Make Non-Taxable
Gifts If You Can
Afford Them.





Lifetime Non- Taxable Gifts

Annual Exclusion

\$17,000 per recipient

Direct medical or tuition
payment exemption

Filing gift tax returns for
gifts greater than \$17,000

Gifts to Minors

UTMA accounts

College Savings Account
("529" Plan)

Trust for minor
beneficiary

Rule 4
Use Annual
Exclusion Gifts to
Give Away Life
Insurance



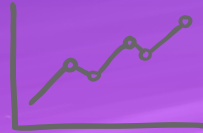
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Insurance and Insurance Trusts

- Life insurance as insurance not needed during life
- Insurance Trusts and Annual Exclusion Gifts
- Term Insurance and Insurance Trusts

Rule 5

Don't Forget About Step-up in Basis.



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Income Tax on Post-Death Sales

- Basis for gain or loss
- Cost basis
- Step-up at death
- Basis of gifts

**Rule 6:
It Can be Beneficial
to Make Taxable
Gifts.**



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Gifts Using Exemption or Incurring Gift Tax

- Removal of appreciation of gifted asset from taxable estate
- Avoidance of state and D.C. tax
- Gift tax is effectively lower
- But no step-up

**Rule 7:
Gifts to
Grandchildren Can
Have a Double Tax
Benefit.**



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Skipping Tax in Another Generation

- Skip tax in two generations
- Non-taxable gifts for grandchildren skip two generations
- 529 plans again
- “GST” tax exemption and trusts for children and grandchildren

**Rule 8:
Consider Creating a
QPRT or a GRAT.**





Qualified Personal Residence Trust ("QPRT")

- Principal residence or vacation home
- Reserved use for term
- Discount on gift and freezing of value
- Grantor trust during term
- Reverts if death during term

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Grantor Retained Annuity Trust ("GRAT")

- Reserved annuity for term
- Zero-out gift
- Appreciation over §7520 rate
- Grantor trust during term

**Rule 9:
Make Gifts to
Charity During Life if
Possible.**



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Benefits and Methods

- Lifetime contribution more tax efficient
- Donor Advised Fund
- Bundling Gifts
- Charitable Remainder Trust (CRT)
- Charitable Lead Trust (CLT)
- Charitable Gift Annuity

**Rule 10:
Use Eligible “Income
Taxable” Property for
Gifts to Charity During
Life and at Death.**





Things to Keep in Mind

- No estate or gift tax
- Contribute appreciated securities in life
- Qualified charitable rollover of IRA if over 70-1/2
- Beneficiaries of retirement plans at death
- Consider notifying the charity and coordinating with their planning giving office



THANKS!

Any questions?

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THE HAAS SOCIETY RECOGNIZES BENEFACTORS WHO
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