

ESTATE PLANNING TODAY - MONTHLY NEWSLETTER

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2014 Estate Planning Update for the Rest of Us...

As I've been writing these articles about Estate Planning over the years, I've seen the Estate Tax Rate rise and fall and in the last few years it has climbed so high that "the Rest of Us" don't even need to worry about the Federal Estate Tax... at least in 2014. The reason I say that is because Congress always has a way of "changing the law" – but you knew that.

With that said, I'm going to outline for you what the 2014 federal estate tax rate is and then discuss whether you might fall into that category and what you should do whether you are in or out of the tax category.

2014 Federal Estate Tax Rate

The federal estate tax has been indexed for inflation and increased to \$5,340,000 for decedent's who pass away in 2014. This means that if you were to sell everything you owned, less any liabilities (debt) that you have, you would need to have assets totaling more than \$5.3 million dollars to be concerned about the 2014 Federal Estate Tax Rate.

That's so high that the majority of my clients do not get up into that range. I have done work for a few in excess of \$7 million and \$23 million dollar range; however, those are the exception. I would say that most individuals and couples in Utah are usually below the \$5.3 million dollar mark.

Does That Mean I Don't Need Estate Planning?

No. You still need to do some estate planning. In the minimum you should have a will along with a durable power of attorney and a health care directive. That is the minimum that everyone should have regardless of the federal estate tax rate.

If you own your home, I'd recommend a trust for privacy purposes as well as to avoid probate. We can discuss those issues if you are interested, but you still need to do some estate planning. It doesn't need to cost thousands of dollars either – it can be well under a thousand dollars if the lawyer doesn't do excessive planning...

What About Gift Taxes?

In regards to gift taxes, there are two factors to be

aware: a lifetime exemption amount and an annual exclusion amount.

The lifetime gift tax exemption amount is the maximum amount a person can give away during their entire lifetime without paying gift tax. The lifetime gift tax exemption is the same amount as the federal estate tax exemption - \$5.3 million for 2014. This means that any amounts gifted by a person during life must be reported to the IRS and will then reduce the amount that can be exempted from estate taxes during death. In other words, you can't give away \$5.3 million during life and then do another \$5.3 million again upon death.

Oh yes, and a person can give up to \$14,000 to an unlimited number of other individuals free of gift tax (same exemption amount as last year).

The annual exclusion amount and the lifetime exemption amount can both come into play for certain gifts. For example, if I give my child \$20,000 during 2014 I can give the first \$14,000 free of tax. I am only subject to tax on the remaining \$6,000. If I have not used all of my lifetime exemption, I will then file a gift tax return to report the \$6,000 gift and deduct it from my remaining lifetime exemption amount. We have done several gift tax returns for our clients over the years.

Remember, gifts from one spouse to the other spouse are generally tax free unless the receiving spouse is not a U.S. citizen.

It is important to be mindful of the gift tax rates. These tax rules can have an impact on your remaining estate tax exemption upon death and also your eligibility for public programs, like Medicaid, during life.

Now might be a good time to review your estate plan with an attorney. If so, please schedule your complementary appointment at 801-676-5506.

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