ESTATE PLANNING MARKETING CONCEPTS

425 California St | Suite 400 | San Francisco, CA 94104
12819 SE 38th Street | Suite 579 | Bellevue, WA 98006
844.TRY.QQIS
844.TRY.QQIS (Fax)

Estate Planning

is the process of deciding how and to whom assets should be transferred at death.

Estate Tax Planning

is the process of applying available techniques to reduce the amount of the estate exposed to taxation, then resolving the tax due on the remainder.

Technical Concepts

Unlimited Marital Deduction
Unified Credit
Annual Gifts
Gift Tax versus Estate Tax (Forms 706/709)
Generation skipping tax
Living Trust
Bypass Trust/Credit Shelter Trust
Qualified Terminable Interest Trust (QTIP)
Qualified Domestic Trust (QDT/QDOT)
Irrevocable Life Insurance Trust (Crummey Provision)
Qualified Personal Residence Trust (QPRT)
Grantor Retained Unitrust/Grantor Retained Annuity Trust (GRUT/GRAT)
Charitable Remainder Trust
Charitable Lead Trust
Private Annuity
Family Limited Partnership
Section 6166 Extension

Bypass Trust/Credit Shelter Trust

Trust created at death to hold assets in an amount equal to the Unified Credit. A surviving spouse is entitled to the income from the trust and to invade principle if necessary, but the value of the trust passes to heirs without tax at the death of the second spouse.

Qualified Terminable Interest Trust (Qtip)

Trust created at death to hold title to assets of the deceased such that the assets qualify for the unlimited marital deduction, the surviving spouse receives all income from the trust and may invade principle if necessary, but may not change the beneficiary designation of the trust. Assets in the trust are not subject to estate taxation until the death of the surviving spouse.

425 California St | Suite 400 | San Francisco, CA 94104
12819 SE 38th Street | Suite 579 | Bellevue, WA 98006
844.TRY.QQIS
844.TRY.QQIS (Fax)

Qualified Domestic Trust (Qdt)

Trust created at death and used when the surviving spouse is not a U.S. citizen. A QDT is very similar to the QTIP above, but with the caveat that one of the trustees of the QDT must be a U.S. citizen or corporation and estate taxes will be levied on any distribution of principle at the time of distribution.

Irrevocable Life Insurance Trust

Trust created during lifetime for the purpose of holding title to a life insurance policy to keep the proceeds outside the estate of the insured and exercise some control over the timing and distribution of the proceeds. These trusts usually have a provision known as the Crummey Provision, named for the tax case creating the law, which permits annual gifts under the $10,000 exclusion to be made to the trust.

Qualified Personal Residence Trust

Trust created during lifetime to hold title to a principle residence or vacation home and permit a discount on the value of the property for gift tax purposes at the time the property is placed in the trust.

Grantor Retained Unitrust/Annuity Trust (Grut/Grat)

Trust created during lifetime whereby assets placed in trust generate income to the donor for the duration of the trust but are discounted for gift tax purposes and pass tax free to beneficiaries at termination of trust.

Charitable Remainder Trust (Crut/Crat)

Trust created during lifetime whereby assets placed in trust generate income to the donor for life and provide both income tax deductions and capital gains avoidance, but the remainder in the trust at death must pass to a legitimate charity.

Charitable Lead Trust

Trust created during lifetime whereby the value of the assets placed in trust are discounted for gift tax purposes because the income from the trust is payable to a legitimate charity. At termination of the trust, the assets pass to the beneficiaries of the trust without taxation.

Private Annuity

Technique whereby assets are sold by one family generation to another in return for a series of lifetime payments (annuity) instead of a lump sum.

425 California St | Suite 400 | San Francisco, CA 94104
12819 SE 38th Street | Suite 579 | Bellevue, WA 98006
844.TRY.QQIS
844.TRY.QQIS (Fax)

Family Limited Partnership

A planning technique whereby a partnership is formed between family members to hold assets, permit a transfer of ownership to a younger generation at discounted values of gift tax purposes, but retain control of the assets in the hands of senior generation.

Section 6166 Extension

Section 6166 is a section of the Internal Revenue Code which permits the payment of estate taxes over 15 years at interest for qualifying assets such as closely-held business, operating farm, or ranch.

Property Transfer Methods

Contract: Beneficiary designation for insurance/annuity/qualified plan
Trust: Separates title into two aspects, ownership and usage
Will: Probate (Cost 2% first $1,000,000. 1% balance)
Deed: Community property implies equal ownership, no probate, and full step up in basis at first death. Joint tenancy implies equal individual interest of separate property, no probate, and step up in basis for decedents half. Tenancy in common implies separate property interest that need not be equal and has no right of survivorship.

425 California St | Suite 400 | San Francisco, CA 94104
12819 SE 38th Street | Suite 579 | Bellevue, WA 98006
844.TRY.QQIS
844.TRY.QQIS (Fax)