



A trust representative office of National Advisors Trust Company, FSB

Monthly Update for Administration of Trusts from a Trust Administrator's Perspective.

It is our hope that our Monthly Update will be helpful to you and your clients to better understand the administration of trusts from a Trustee's viewpoint.

February, 2017

I'M STILL HERE!

Sorry for being AWOL the last couple of months. With Thanksgiving, Christmas, four birthdays, one anniversary, out-of-state relatives staying with us for about three weeks, and one of our four-legged children having surgery to repair her ACL, well...hope you can understand why I didn't get a newsletter out in December and January.

WE SHALL SEE

Some comments coming out of the Trump Administration and Congress hint that Congress may repeal the tax on estates. If that were to occur, that would be an incredible savings to families across the United States.

However, until that occurs, (assuming it ever does), there are a couple of points that you should keep in the back of your mind should circumstances arise that could trigger estate tax.

THE "BASICS"

Most everyone is aware that there is an exemption ("Unified Exemption"), which, for lack of a better way of saying it, provides a deduction to offset estate tax. That exemption is a fixed amount of \$5,000,000. With "indexing" for inflation, the effective Unified Exemption for 2017 is \$5,490,000, which is a \$40,000 increase over 2016.

To put it in perspective, if a single person dies in 2017 having an estate valued at \$6,490,000, (\$1,000,000 over the exemption), then after applying the 2017 "exemption" (\$5,490,000), the remaining balance (\$1,000,000), would be taxed at a fixed tax rate of 40%. Under that

example, there would be \$400,000 owed to the IRS, which must be paid within nine (9) months of the death.

On the other hand, what about those situations where a husband and wife have assets that are cumulatively valued more than the current (\$5,490,000) exemption? How can we be sure to use both the husband and wife's separate exemptions (credits) to help save the children from paying estate taxes?

PORTABILITY

Setting the unlimited marital deduction aside, let's make this example easy by just using the fixed \$5,000,000 exemption, without adding in the annual adjustment.

The unused portions of a deceased spouse's Unified Exemption is now "portable" to the surviving spouse. For example, assume a husband and wife have an estate which totals \$6,000,000. If the husband dies in 2017 owning one-half (\$3,000,000) of those assets, then \$2,000,000 of the deceased husband's \$5,000,000 exemption (credit) would not be used. That remaining \$2,000,000 credit is "portable" to the surviving wife, resulting in the surviving wife now having a \$7,000,000 exemption (credit) (her \$5,000,000 plus her husband's unused \$2,000,000). With this example, there would be no tax on the \$6,000,000 in assets, plus the wife would have a credit of an additional \$1,000,000 to help offset the future growth in the valuation of the \$6,000,000 in assets.

While the IRS does not require a federal estate tax return to be filed when the

value of the estate is less than the Unified Exemption in effect at the time of the death, to preserve the "portability" of the decedent's unused Unified Exemption, a federal estate tax return must be filed.

There can be wisdom in a married person using part of their Unified Exemption because it can allow the assets to grow estate tax free. So for a husband and wife who have assets which cumulatively value more than \$5,490,000, you can save 40% of every dollar that exceeds that amount. But to do so, you definitely need to get your estate planning in order and up to date, and should a death occur, be certain to file a federal estate tax return to preserve the unused portion.

Alyssa Kaiser, CTFA, has over 20 years experience in trust administration and is Senior Vice-President of WealthTrust Oklahoma. Alyssa may be contacted at: (405) 241-1600 (office), or by email at Alyssa@WealthTrustOk.com.



WealthTrust Oklahoma is the Oklahoma Trust representative office of National Advisors Trust Company, FSB, which currently has more than \$9 billion under administration. We hold a federal charter and are independent.