



Election Year Estate Planning Protecting Your Assets in Advance of Possible Tax Law Changes

The Federal estate tax exemption has not decreased in nearly 85 years since it went from \$50,000 in 1934 to \$40,000 in 1935. The opinion of most tax and estate planning experts is that this could all change very soon. The current Federal estate, gift and generation skipping transfer tax exemption is \$11.58 million. It is widely believed that a Biden win in the upcoming election would result in significant decreases to the exemption. Moreover, certain tax strategies that allow us to protect even more from the estate tax (some may refer to these strategies as “loopholes”) may also be eliminated in the future.

As a result of this uncertainty, many clients are looking into strategies that they can utilize prior to the end of the year to take advantage of the extremely favorable laws that still currently exist. One of the most popular strategies for married couples is the creation of a Spousal Lifetime Access Trust (SLAT). A SLAT is a trust set up and funded by one spouse for the benefit of the other spouse and usually includes his or her children. The most attractive aspect of a SLAT is that although assets are being transferred to a trust and removed from the estate for tax purposes, the trustee of the trust has the ability to distribute trust assets back to the client’s spouse (thus benefiting the couple as a whole). Upon the death of the spouse the assets would continue to be held in trust for the benefit of the children. If drafted properly the assets would be protected throughout the children’s lifetimes from divorce, lawsuits, etc. and can ultimately pass down to grandchildren without being subject to estate taxes in the children’s estates.

In addition to SLATs there are several other estate tax savings and asset protection strategies available (i.e. family limited partnerships, sales of assets to grantor trusts and several others). If you would like to hear more about any of these strategies please reach out to us as soon as possible. The end of the year is fast approaching and implementing these plans cannot be done overnight.

To schedule your free consultation, please email my assistant, Katie Elasmr (katie@canarick-law.com), or call her at 732-354-1951.

Best regards,

Michael Canarick

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