Wealth Transfer and You: Some Thoughts from Northern Trust

Stacy E. Singer

President Obama signed the 2010 Tax Relief Act on December 17, 2010. While many Americans know there was no resulting change to federal personal income tax rates, many do not realize that the Act has had a substantial impact on estate planning and wealth transfer.

The 2010 Tax Relief Act provides unprecedented opportunities this year and next to transfer significant amounts of wealth. With the reunification of the gift and estate tax exemptions at $5 million, an individual can now transfer up to $5 million tax free, in addition to making annual exclusion gifts of $13,000. Individuals who previously made taxable gifts, up to or in excess of the prior law’s $1 million exemption amount, can also make additional gifts of up to $4 million in 2011 and 2012.

Additionally, through the use of Dynasty Trusts, individuals can now transfer up to $5 million to individuals two or more generations younger, reduce estate taxes on a child’s estate and avoid paying a generation-skipping transfer tax.

Equally important, the 2010 Act did not eliminate or restrict existing lifetime planning techniques designed to minimize taxable gifts. For individuals seeking to transfer future asset income and/or price appreciation to beneficiaries, techniques to do so remain available for use.

For those with charitable intentions and a desire to make a future gift to beneficiaries, Charitable Lead Trusts (CLTs) can be very effective lifetime wealth transfer vehicles. CLTs make sense for people who want to minimize gift or estate tax by delaying the transfer of wealth to successive generations and benefit charity in the interim. These trusts make payments to charities for an initial term, then distribute the remaining principal to beneficiaries such as the donor’s grandchildren.

Many of the tools mentioned above are especially relevant to larger estates. However, even if an estate is below $5 million, careful estate planning remains essential. Many states have estate tax exemptions below the $5 million federal estate tax level, which could result in the imposition of state estate or inheritance taxes. If you reside in one of those states, seek professional advice.

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Sharing and Preserving the Hadley Story

Or many years it was my great privilege to work with thousands of individuals and families as they planned for the future, not only for themselves and their heirs, but also for the charitable organizations that meant so much to them. Interestingly, research has shown that philanthropy is the most underexamined portion of portfolio management and that it is an area that many want advice on, but do not know to whom to turn.

As you review your estate plans remember there are a variety of charitable giving vehicles to consider including:

- Direct gifts to your preferred charities
- Bequests through wills or trusts
- Charitable Gift Annuities
- Charitable Lead or Remainder Trusts
- Gifts of real estate, insurance or 401K plans
- Family foundations
- Donor advised funds

Remember to inform your charities of your philanthropic planning. They will appreciate the opportunity to recognize your thoughtfulness and generosity.

Edward G. Cotrell
Financial Planning Advisor (ret.)
Friend and Advocate of Hadley

The Clarence Boyd Jones Society

The year 1953 was pivotal in the history of the Hadley School. The school's resources were so limited that its existence was in jeopardy. To continue to offer free courses to blind individuals, an increase in philanthropy was needed. As chairman of the Board of Trustees, Clarence Boyd Jones led a campaign first to save the school, then to raise money for a new building on Elm Street. Mr. Jones cared deeply about Hadley's mission to help thousands of blind and visually impaired people. He gave generously of his time and resources to secure its financial future, and his legacy lives on in the society that bears his name.

Clarence Boyd Jones Society members are acknowledged in the school's Annual Report (unless anonymity is requested), invited to special events and complimentary private tours and receive a gift.

We invite you to leave a lasting legacy at Hadley by including the school in your estate planning. To join the Clarence Boyd Jones Society contact Shari Burton, 847-784-2765, shari@hadley.edu or complete and return a membership form, which can be downloaded at www.hadley.edu/cbjmembership.

A Resource from Northern Trust

In order to use the best vehicles to maximize giving and reduce taxes, individuals and their advisors need to explore a variety of tax and non-tax issues.

A resource on these issues is Northern Trust's recently updated e-book, "Legacy: Conversations about Wealth Transfer." The book incorporates the work of more than a dozen Northern Trust experts in law, trust administration, tax policy, wealth transfer planning, estate settlement, family business services, real estate and philanthropy.

The revised edition is updated to reflect changes in current law and provides expert counsel on core aspects of wealth transfer planning, including:

- Developing a family charitable mission statement, planning for disabilities such as cognitive decline and wealth transfer strategies for non-traditional families.
- If you have an e-reader or e-book software on your computer, download the e-book or order a free hard copy at northerntrust.com/legacy.

I'd like to help provide for the future of The Hadley School for the Blind

[ ] Yes, I would like information about Hadley's planned giving options.

[ ] Yes, I have included Hadley in our estate plans (and haven't previously notified you).

Name(s)
Address
City State Zip
Phone
Email

Please cut and mail this form to:
Shari Burton
Senior Development Officer
The Hadley School for the Blind
700 Elm Street
Winnetka, IL 60093
or phone 847-784-2765.

To include Hadley in your will or trust:

1. A bequest may be made through a will or trust.
2. Or, it can simply be made by listing The Hadley School for the Blind as a beneficiary of a bank account, IRA account, life insurance policy, company retirement plan, pension, annuity or other instrument that allows you to designate funds to a beneficiary.
3. Legal designation for a will or trust:
   a. I give (X dollars or X percent or all of the residue of my estate) to The Hadley School for the Blind, an Illinois Nonprofit Corporation with headquarters located at 700 Elm Street, Winnetka, IL 60093.
   b. Tax identification Number: 36-2183809