

EASING THE ESTATE TAX BURDEN

1 PROBLEM

ANN, 50, is an entrepreneur married to **RAY, 67,** with two children—Sally, 30, and Jeff, 27. She plans to sell her business and the proceeds would pass to the two children after both Ann and Ray die. Under current tax laws, Sally and Jeff might be forced to sell personal assets to cover the substantial estate tax. Ann is frustrated because annual gift tax exclusion limits (\$14,000 annually as of 2015) prevent her from making a gift of funds to cover the estate tax. She has already reached the limits.

2 SOLUTION

Have Ann and Ray's revocable trust loan money to an irrevocable trust to buy life insurance to pay the estate tax. Structuring the transaction this way maximizes the size of the assets that Sally and Jeff will inherit.

3 DISCUSSION

- Drawing on knowledge of estate planning strategies developed by attending many conferences
- Presenting a strategy to Ann and Ray's attorney
- Buying life insurance to pay the estate tax and structuring the transaction to the greatest ultimate advantage of the children, while still protecting Ann and Ray's interests
- Explaining the transaction's key points to Ann and Ray so they understand that the irrevocable trust will have to repay the loan after they die, but their children will come out ahead financially

Ann is happy that she can ease the estate tax burden on her children. Ray and her children are also happy about Ann's thoughtful move.

[1] Names and identifying details have been changed

Actual client case studies of physicians, dentists, and family business owners that may relate to your current financial and business situation. Neither Suncoast Advisory Group nor its financial advisors offer legal or tax advice.

Consult your attorney or tax advisor for complete up-to-date information concerning federal and state tax laws in this area.

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