

Reducing Estate Taxes through a Living Trust

In this article I would like to discuss another way estate planning can help you save money. By proper planning, you can reduce or eliminate estate taxes (sometimes referred to as inheritance taxes). Yes, there are taxes on the wealth you transfer to your heirs ! You might think it is unfair that you are taxed on the income when you first make it and then taxed on the same amount when you try to pass it on to your children and heirs. This is in effect double taxation and one of the reasons why estate planning has, and is, being used by many people to develop the most cost efficient way to transfer their wealth.

Though California no longer has an inheritance tax, the federal estate tax is alive and well. The current tax rates, implemented by President Bush, change nearly every year. With the reverses in the economy, our Congress in Washington D.C. is looking at inheritance taxes as a way of increasing revenues. Many of us have worked hard for most of our lives to accumulate wealth that we hope to pass on to our children. With proper planning using a living trust, you can set up your estate plan to eliminate or reduce any taxes that might be due.

Have you ever heard of families that had to sell or liquidate some of their inherited property in order to pay the inheritance taxes and/or court probate cost? Well, I sure have. In fact, there are many famous people whose cases are public knowledge like Joe Robbie, who owned the Miami Dolphins, and Jim Henson, who invented the Muppets. I also know off some not so famous individuals in our community whose heirs had to sell the family home in order to finalize the transfer of their assets. Unfortunately, some of you know someone who only has a will as their means of transferring their wealth to their heirs, possibly making their heirs vulnerable to inheritance taxes and court probate charges. This applies to single or married people and especially to those who own real estate, a business and or stocks and bonds. If you know someone who is relying on only a will to transfer their assets, you could do them a favor and tell them about the benefits of estate planning.