

# The **Top 5** things your



want you to know about **Estate Planning**



Samuels Yoelin Kantor<sup>LLP</sup>  
Attorneys At Law



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PRIVATE WEALTH MANAGEMENT  
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*Let's get there*

# Tax Planning in a Changing World

**Eric Hormel**  
**CPA, Shareholder**

October 25, 2012



# The Fiscal Cliff



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CAGLE CARTOONS.COM  
R. MATE...



# 2013 Tax Rate Increases



Without legislative action, tax rates will go **up** across the board for most tax payers:

Provision	2011	2012	2013
Rates for ordinary income	35.0%		39.6%
	33.0%		36.0%
	28.0%		31.0%
	25.0%		28.0%
	15.0%		15.0%
	10.0%		15.0%
Top rates for investment income			
Long-term capital gains	15.0%		20.0%
Qualified dividends	15.0%		39.6%

# The Medicare Surtax



But wait, there's more...

Starting in 2013:

**3.8%**

**Medicare  
Surtax**

imposed on certain  
investment income  
on high income tax  
payers.

Medicare.gov: the official U.S. Government Site for Medicare

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type search term here

Learn about your health care

Sign Up / Change Plans | Your Medicare Costs | What Medicare Covers | Drug Coverage (Part D) | Supplements & Other Insurance | Claims & Appeals | Manage Your Health | Help

Is my test, item, or service covered?

type your test, item, or service here Go

Find health & drug plans Apply for Medicare

Open enrollment is from now until December 7. Review and compare your coverage options

Not sure what coverage you have? Check your current enrollment

Already know what plan you want for 2013? Enroll now

Lost / incorrect Medicare card? Select your card issue... Go

Information for people like me Select your situation... Go

Find someone to talk to Select your state... Go



# Medicare Surtax



## Who

### Individual taxpayer threshold amounts

- › \$200,000 for single taxpayers
- › \$250,000 for married filing jointly
- › \$125,000 for married filing separately

## How

For Individuals the **3.8%** surtax will be imposed on the lesser of:

- › Net investment income for the tax year, or...
- › The amount by which the modified adjusted gross income (MAGI) exceeds the threshold amount in that year



# Medicare Surtax Example



## Married Filing Jointly:

### Husband and wife, filing jointly

Earn **\$200,000** in salaries

Plus **\$150,000** of net investment income  
for **\$350,000** of total MAGI

The **3.8%** surtax applies to \$100,000 of income **since it is the lesser** of \$150,000 of net investment income or the excess over the MAGI threshold of \$250,000.



# What IS investment income?



## Net investment income includes the following:

- › Interest, dividends, royalties, annuities
- › Net capital gains derived from the disposition of property (other than property held in an active trade or business)

Long-term capital gains	15.0%	20.0%
Qualified dividends	15.0%	39.6%

- › Income derived from passive activities

## Rental Income





# What IS investment income?



**Net investment income does not include the following:**

- › Wages or salary
- › Active trade or business income
- › Distributions from IRAs or qualified retirement plans
- › Income from tax-exempt municipal bonds

**CO. FILE DEPT. CLOCK NUMBER**  
ABC 125543 123456 12345 0000000 1

ACME SUPPLIES CORP.  
475 KNAPP AVENUE  
ANYTOWN, USA 10101

**Social Security Number:** 999-19-9999  
**Taxable Marital Status:** Married  
**Exemptions/Allowances:**  
Federal: 3, \$35 Additional Tax  
State: 2  
Local: 2

**Earnings Statement**  
Period ending: 12/19/2000  
Pay date: 12/26/2000

**JANE HARPER**  
101 MAIN STREET  
ANYTOWN, USA 12345

	rate	hours	this period	year to date
Regular	10.00	32.00	320.00	16,640.00
Overtime	15.00	1.00	60.00	780.00
Holiday	10.00	8.00	15.00	4,160.00
Tuition			37.43*	1,946.80
<b>Gross Pay</b>			<b>\$ 452.43</b>	<b>23,526.80</b>

	this period	total to date
Statutory		
Federal Income Tax		
Social Security Tax		
Other Benefits and Information		
Group Term Life		
Loan Amt Paid	0.51	27.00
Vac Hrs		

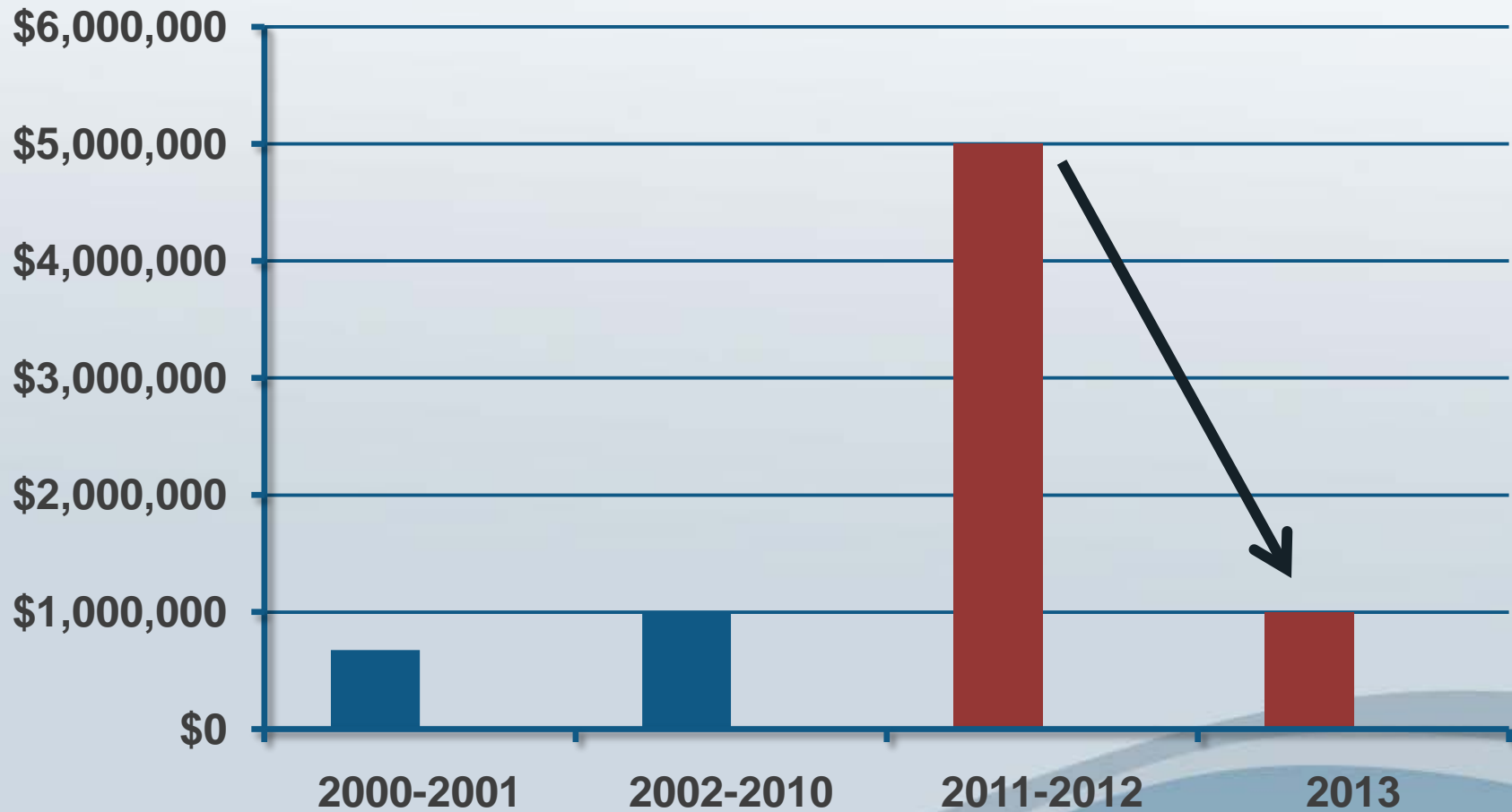
# Estate & Gift Tax Changes



Estate Tax	2011	2012	2013
Top rate	35.0%		55.0%
Qualified Dividends	15.0%		39.6%

Gift Tax	2011	2012	2013
	<b>Estate and gift tax regime reunified for 2011-2012</b> (\$5 million exemption for gifts with highest rate of 35%)		<b>\$1 million lifetime exemption</b> (55% top rate)

# Gift Tax Exemption





# Questions:



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# The Top 5 things your lawyer wants you to know about **estate planning**

By Michael D. Walker, Esq., LLP



# Agenda

- Know your assets and how you own them
- Understand how taxes impact your estate
- Plan carefully, prepare documents that reflect your plan
- Recruit a good team
- Communicate

# How is it owned?



Jointly Held  
("Operation of Law")



Joint Tenancy "JTWROS"

Rights of Survivorship

Tenancy by the Entirety

Real Estate  
Bank Accounts  
Investments  
Businesses  
Automobiles

# How is it owned?



Beneficiary Designation  
(Contracts)



Revocable Living Trusts  
IRA / 401(k)  
Life Insurance  
Retirement Plans  
Annuities  
Bank Accounts (POD)  
TOD Deeds in Oregon\*



**Keep Your  
Beneficiary  
Designations  
Up To Date**



# How is it owned?

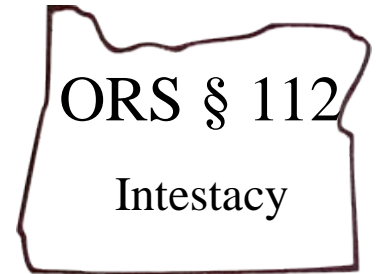


Individually  
(Probate)

Bank Accounts  
Investments  
Jewelry  
Collectibles  
Real Estate  
Automobiles



Probate



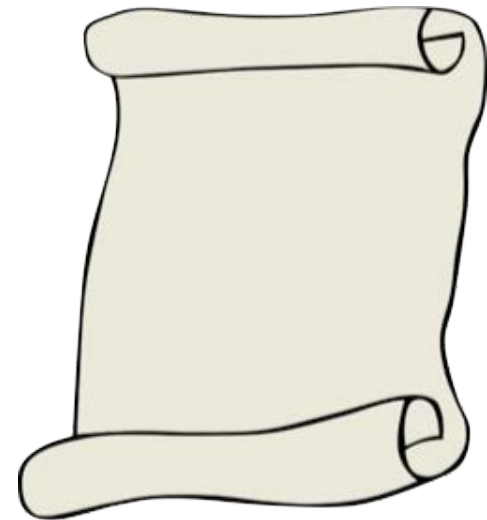
# Understand how taxes impact your estate

- Income Taxes
- Gift & Estate Taxes
- Differences Between States
- 2012 Ballot Measure 84



# Plan carefully, with the right documents

- Wills
- Revocable Living Trusts
- Powers of Attorney
- Advance Directive







Appoint a Guardian



Specific Bequests



Residuary Bequests



Personal  
Representative



Charitable / Tax  
Planning



Controlled/Protected  
Distributions



Specific Bequests



Trustee



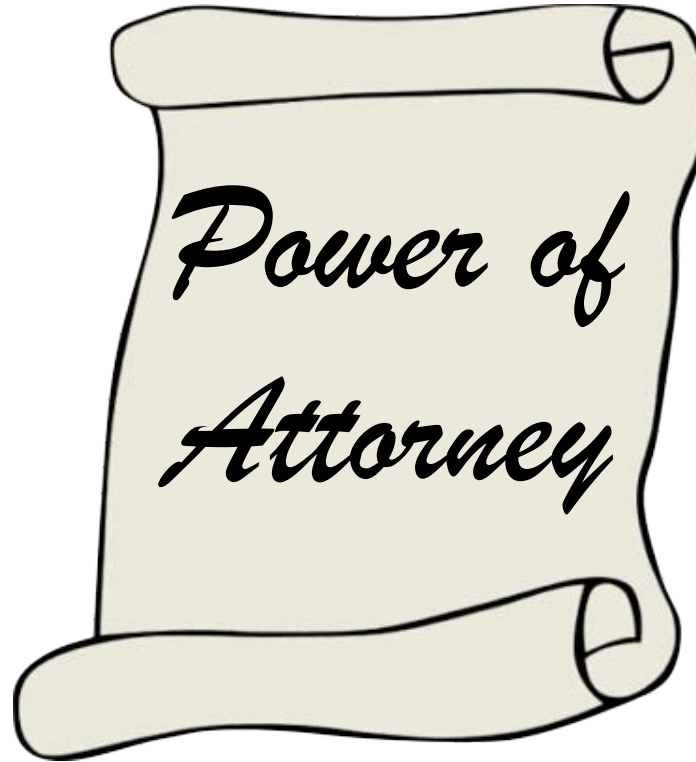
Charitable / Tax  
Planning



Residuary Bequests



Property Decisions



Financial Powers



Springing / Durable



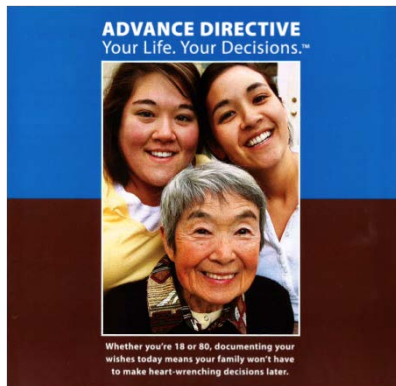
What Other Powers



Appoint  
Representative



End of Life  
Decisions



Other Requests?

Oregon Advance Directive



# Recruit a good team

- Attorneys
- Accountants
- Corporate Trustee
- Financial Advisors
- Other Business Advisors?



# Communicate

- Family members
- Designated Personal Representative
- Designated Trustee



# How to **contact** your



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**503-221-7585**