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ADVANCED ESTATE PLANNING

TOOLS FOR USE IN LARGER AND/OR COMPLEX ESTATES

A. Charitable Contributions

1. Estate Tax Free
2. Income Tax deduction in life
3. Appreciated property escapes capital gains.
4. Help community -civic pride
5. Can have income tax write-offs in life
6. Limited to 50% of taxable income in anyone year

B. Gifting to heirs

1. Everyone can give \$11,000 annually to anyone else
2. Couples filing jointly can give \$22,000 helps stop growth of estate
3. Estate and income tax savings possible
4. Lifetime \$1,000,000 exemption may also be used for gifting

C. Generation Skipping Trusts

1. Avoid estate taxes - one generation
2. Limited to \$1,000,000 per estate - \$2,000,000 per couple

D. Irrevocable Life Insurance Trusts

1. Get life insurance proceeds out of taxable estate
2. No income tax on equity buildup
3. Variable Life Insurance
4. Survivor or "Second to Die" Life Insurance

E. Section 303 Stock Redemption Program

1. Allows closely held corporations to redeem stock to pay estate taxes
2. Not treated as a dividend. Capital Gains tax applies
3. Use is optional
4. Can be funded with life insurance
5. Helps avoid accumulated earnings problems in corporation

F. Section 6166

1. Installment Payment option on death taxes
2. 4% simple interest on first \$1 MM
3. Two to fifteen years to pay taxes
4. Can be integrated with 303 stock redemption programs

H. Public Charitable Foundations

1. Bequests in will or living trusts free of estate taxes
2. Charitable Remainder Trusts allow for gifts with lifetime income (6-7%)
3. CRIT gifts are out of estate and allow for income tax deductions
4. Educational, religious, civic, medical, other purposes
5. Pooled Income funds -CRITs in bulk

I. Private Charitable Foundations -Endowment funds -Charitable Lead Trusts

1. Private has same advantages and areas of interest as public foundations
2. Limit on income tax deductions is 30% for private vs. 50% for public
3. Family control of private foundation possible for several generations
4. Founder controls distributions after death
5. Endowment funds -income to charity, principal remains in family
6. Charitable Lead Trusts -reverse of CRIT -income to charity -principal reverts to donor or their heirs at specific date

J.. Donor Advised Funds and Charitable Gift Funds

1. Like Small scale private foundations
2. Contributions in stock, bonds or cash
3. Investment in mutual fund type accounts
3. Donor determines to whom contributions are made
4. Checks sent direct to charities
5. Free of capital gains taxes

K. Family Limited Partnerships

1. Allow deep discounts in value of estates (15-40%)
2. Founders can maintain total control for life
3. Founders can maintain most of income from assets for life
4. Assets may be private or publicly held
5. Assets shifted to heirs are outside estate (\$20M/year/heir)
6. Can stop growth of estate while maintaining control and income

L. Roth IRA and Roth 401(k) Funds

1. Withdrawals are Income Tax Free
2. No deduction for contributions
3. Existing IRAs may be rolled into Roth -income taxable in year of rollover
4. Must roll a Qualified Plan to an IRA before rolling to a Roth IRA.
5. If able to pay taxes from other sources in effect an addition to IRA
6. No mandatory distributions at any age. Distributions to heirs after death also income tax free. IRA is subject to estate tax. Charitable trust may be used.
7. Contributions may be made after age 70 1/2 if otherwise eligible
8. No Contributions allowed if Adjusted Gross Income exceeds \$160,000 joint or \$110,000 single