

DON'T WAIT FOR WASHINGTON TO TAKE ACTION ON "DEATH TAXES"



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I have for you the safest of financial predictions ever printed—eventually, you will die. Hopefully it won't come soon. Which means there's no telling what the federal estate tax will be on that fateful day.

Here's another safe prediction—whenever that day comes, no matter how many years away, the estate tax debate will still be raging on. The issue is not going away.

The good news is that you're not helpless in the meantime. Too many people assume it takes an act of Congress to change their estate tax burden, and they fail to take action on their own. Fortunately, there are steps you can take now to protect your wealth after your death.

First, you must accept the reality that taxes cannot be completely avoided. Even in 2010, when the estate tax was temporarily at 0%, the federal government could still charge your heirs a capital gains tax of 15% on certain assets you bequeathed them. In addition, the state of Tennessee has its own inheritance tax, which occurs after a \$1 million exemption and can reach a maximum of 9.5%.

Second, you must know the true value of your estate. Only then can you ensure that you have the liquid assets available to cover the taxes.

A common solution is to take out a life insurance policy in an amount equal to the anticipated tax burden. However, it's important to keep this policy in an irrevocable insurance trust so that it is not considered part of your taxable assets.

Another possibility is to sell specific assets of your choice during your lifetime to ensure there is cash available to cover the taxes on the assets you want your family to keep. You can also consider transferring certain assets to a charitable trust and then use the proceeds from that trust to provide an income stream to fund a life insurance policy for your heirs. The insurance could, therefore, replace the value of the assets that go to the charity at your death.

Options are available for those who are willing to plan in advance. However, your estate strategy will always need to be a "living" document that changes with value of your estate. Otherwise, there may not be enough liquid assets to cover the tax bill, forcing your heirs to sell assets you had hoped would remain within the family.

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