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Tax Update From Your Estate Planning Team at Schell Bray

After a heated and last minute debate in Washington, we now have federal estate, gift and generation-skipping transfer tax laws that are effective for two years. At the end of this two-year window, the federal government will repeat the same process to determine what the federal estate, gift and generation-skipping transfer tax laws will be going forward. It is unfortunate, but a fact, that the rules governing the taxation of the transfer of your accumulated wealth to the next generation are not a stable set of laws under which you can plan - frustrating for you and for us as advisors who specialize in this area!

On the other hand, the two-year window in 2011 and 2012 presents unique and generous opportunities to transfer wealth to future generations at historically low transfer tax costs. A married couple has the ability under this new law to transfer as much as \$10 million of wealth to future generations with no transfer tax costs and may do so either during life or at death. Transfers can be made in trust to benefit future generations of your family without being subjected to transfer tax at the passing of each successive generation. In addition to the expanded exemptions from estate, gift and generation-skipping transfer taxes, the tax rate on taxable gifts, the estate tax rate for taxable estates and the tax rate on generation-skipping transfers are set at historic lows of thirty-five percent (35%).

Now is the time to act. If your estate plan is based upon a marital-deduction, formula driven division of your estate, such a division of your estate may not be necessary or desirable under the new law. For many families whose wealth totals less than \$10 million, there will not be an estate tax savings need for the old "by-pass", "credit-shelter" trusts set up at the death of first spouse to die. There may still be a need for trusts in the estate plan, but for many families it will not be a tax-driven need. For other families, trusts set up at death for tax savings purposes will still be desirable.

There are no shortcuts and few short answers to what you should do to adjust your plan to the new tax laws. We believe the way to proceed is for you to put together list of what you own, how your assets are titled (separate names, joint names with right of survivorship, etc.) and the approximate fair market value of your assets and bring that list to an appointment with one of us to discuss your situation. Overall, this new law will be beneficial to many of you and will provide planning opportunities that you should not less pass. We look forward to helping you avail yourself of the opportunities presented by this new law.



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