

# ESTATE UPDATE

THE ESTATE PLANNING & LEGAL NEWSLETTER OF THE LAW OFFICE OF SJOSTROM, LOFTHUS & ROUSAR, PLLP

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## WHAT ABOUT TAXES IN 2013? WILL GOING OVER THE FISCAL CLIFF EFFECT ME IN ANY WAY?

Unless Congress makes some changes to the current law, we will face some very significant increases in federal taxes as of January 1, 2013:

1. **Capital gains taxes** are scheduled to increase from 15 to 20 percent. Some clients are liquidating appreciated assets this year in to pay the tax at the reduced rate.

2. **Personal income taxes** are scheduled to increase, the top rate from 35% to 39.6%. Some people are able to take bonuses and commissions, and other income, in 2012 to avoid some of the increased tax. Some companies are granting "special dividends" in 2012 so their shareholders receive the income at the lower tax rate.

3. **Gift taxes** are scheduled to increase. The current exemption from gift tax is \$5,120,000.00 and this is scheduled to drop to \$1 million. The top rate will increase from 35% to 55%. Some clients are considering making large gifts this year, anticipating the possible

change next year.

4. **Federal Estate taxes** - This year federal estate taxes apply only to estates in excess of \$5,120,000.00 with a maximum tax rate of 35%. Next year the federal estate tax exemption is scheduled to drop to \$1 million. The top rate to increase to 55%. In addition, this year a "portability provision" allows a surviving spouse to use any portion of the \$5.12 million not used by a spouse who died this year. This provision is also scheduled to expire. If your spouse died in 2012, it may be wise to consider filing a federal estate tax return to preserve the "portability" even if such return is not required.

If Congress doesn't act, and these changes come about, at least some of them will affect each of us.

You may want to contact your tax advisor. We also urge our clients to call our office for a review of your planning documents and consider what the impact of the tax law changes will be and see if you can access any year end opportunities.

## MERRY CHRISTMAS & HAPPY NEW YEAR

As 2012 races to a close, we are amazed that another year has come and gone. We're thankful for all of our clients and recognize that it is a privilege to work with each of you.

Most businesses grow through the referrals from others. We deeply thank those of you who have given our name to your family, friends and colleagues.

As 2013 begins, we look forward to working with you to navigate the changes that are in store.

### ESTATE PLANNING IS:

**TAKING THE NECESSARY TIME TO PROTECT WHAT YOU HAVE SPENT YOUR ENTIRE LIFETIME**

If you have a **WILL** and it has been more than three years since you have reviewed it, please contact our office for an **ESTATE REVIEW**, the first ½ hour is **FREE**.

If you have a **TRUST** and it has been more than one year since you have reviewed it, please contact our office for an **ESTATE REVIEW**, the first ½ hour is **FREE**.



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## RETURN SERVICE REQUESTED

### LEGAL PLANNING TIPS: SMALL IDEAS WITH A BIG IMPACT

**ESTATE PLANNING TIP: RMD REMINDER NOTICE** - Most tax deferred retirement accounts (such as IRAs) require annual required minimum distributions (RMDs) once you reach the age of 70½. Failure to take the distribution(s) results in a 50% penalty. Be sure you have taken this year's RMDs before the end of the year.

**BUSINESS PLANNING TIP: REMINDER - ANNUAL RENEWALS** - Most forms of businesses in Minnesota, including non-profits, require an annual renewal to be filed with the Secretary of State. Failure to do so may result in an "administrative dissolution" of the entity. Be sure to file your renewal. Go to the Secretary of State's website and check under "Business, Non-profit and UCC" or call our office for assistance.

**PERSONAL PLANNING TIP: BE SECURE WHEN SHOPPING ONLINE THIS HOLIDAY**- Each year, more and more holiday shopping will occur over the internet. We've all heard that the internet is called the information "superhighway". As online retailers are asking you to send more and more confidential and sensitive information over that "highway", how can you make sure that the information is secure? First, check the web page address (the "URL") where you are uploading sensitive information. Ordinarily, web page addresses begin with the letters "http". If the online retailer's web page has that designation, information you send is in "plain text" so that others may be able to read it. However, many retailers have switched to a secure connection which is designated by the web address starting with the letters "https". The "s" at the end designates a secure connection. Second, you can look for the "lock" icon (i.e., a picture of a lock). Many secure web pages display the "lock" icon somewhere on your browser (Explorer shows the lock on the bottom of the browser). This "lock" not only demonstrates a secured page; if you click on the icon, you can see the web site's security details. We recommend that you do this to verify you are truly using the retailer's own web site. By looking for these two simple items, you will have a safer online shopping experience this holiday season.

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**DISCLAIMER:** The contents of this newsletter are presented as general information and are not intended as legal advice to apply to any person or particular situation. Additionally, be mindful that the law is constantly changing and you should always inquire about the present state of the law in reference to all matters. If you have any questions concerning any matters covered in this newsletter, you should consult with an attorney for legal advice based on the individual circumstances of your situation.