

ESTATE UPDATE

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

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FEDERAL & MINNESOTA ESTATE TAX ANSWERS: HOW TO NAVIGATE THE VAST SEA OF CONFUSION

On January 2, 2013 The American Taxpayer Relief Act of 2012, became effective and answered some questions many of us have been concerned about, particularly what would happen to the Federal Estate Tax exemption.

Without action, the Federal exemption was set to return to \$1 million. However, the new law sets the Federal exemption at \$5 million and, with an indexing provision, the 2013 Federal Estate Tax exemption sits at \$5.25 million. The maximum Federal Estate Tax rate increased from 35% to 40%.

The Federal law continues the “portability” election which gives the ability to carry forward from the first spouse’s estate the unused exemption and have it apply at the death of the surviving spouse (making it possible to have a combined estate of over \$10 million without Federal Estate Tax).

Unfortunately, the Minnesota Estate Tax exemption remains at \$1 million. Currently, the maximum Minnesota Estate Tax rate is 16%.

Additionally, Minnesota law does not allow “portability” of the unused Minnesota Estate Tax exemption to the surviving spouse. The lack of “portability” requires many of our clients to maintain Estate Tax planning provisions, most commonly “Disclaimer Trust” provisions, for Minnesota tax purposes even though this planning is unnecessary under Federal tax laws.

We recommend consultation with our office to review the Estate Tax provisions of your Estate Plan.

DON'T CARRY THIS IN YOUR WALLET # 1

With greater use of credit & debit cards, the use of paper checks has diminished greatly. However, many of us carry **blank checks**, just in case. A single paper check can easily be lost or stolen. The risk of carrying an unsigned paper check comes from the routing and account numbers at the bottom of the check. A stolen check can lead to funds electronically transferred from your account.

Have you reviewed your Estate Plan recently?

Recently our office probated a Will which we had drafted in 1982. Fortunately for this family, nothing substantial had changed and they did not have significant problems. But, we are reminded that too many people are not regularly reviewing their Estate Plans.

Often, the people named in Estate documents and relationships can change over time. Laws (especially tax laws) also change. Any of these changes can seriously impact the effectiveness of your Estate Plan.

Sometimes after a complete review of their documents, people are amazed at what was included or they have simply changed their mind on what they want in their Plan now. We highly encourage a regular review and offer a free half-hour review annually. There are only charges if there are updates to the documents or other work in addition to an review conference.

Please call our office to set up an appointment to review your Estate Planning documents to verify that your Estate Plan is current.

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: TRUSTS AS BENEFICIARIES OF RETIREMENT ACCOUNTS - Many of our clients have trusts, either living trusts or trusts created in their wills (testamentary trusts) for their children or others. And often a significant part of an Estate is an IRA or other tax deferred retirement account. In that case, it may be desirable for these accounts, as well as other assets, to be held in trust for the beneficiaries rather than given to them outright. Some retirement accounts can be taken and taxed over an extended period of time when they are payable to a “named beneficiary.” With proper language, this can often be true when the retirement account is made payable to a trustee for an individual rather than directly to him or her. The language of the trust document or the trust provisions included in a will should be reviewed to ensure that proper language has been included to properly fulfill your wishes for your assets.

BUSINESS PLANNING TIP: REGISTRATION AS A FOREIGN ENTITY - As your business grows and you begin doing business in states other than Minnesota, it is possible that you will be required to register your business in states where you are operating. Registration as a “foreign” or out-of-state entity is designed to protect the citizens of a state from companies who do business from outside the state. The registration requirement gives the public the ability to contact a local “agent” if necessary.

PERSONAL PLANNING TIP: STAYING SAFE WHILE USING SOCIAL MEDIA - With the vast majority of the population using social media, such as Facebook, Twitter and Instagram, we encourage our clients to carefully consider what they post online. Whether you like it or not, your online reputation will follow you wherever you go; and online reputation repair services can be expensive. Teenagers should especially be reminded to think before they post since potential employers and even their future educational institutions may have access to view their less-than-wise decisions. As with all forms of communication, consider the possible ramifications of what you say, write, post or upload.

DO YOU WANT TO RECEIVE AN E-MAIL COPY OF ESTATE UPDATE?

If you would like our newsletter e-mailed to you, please send an e-mail to erousar@visi.com with the word “newsletter” typed in the subject line and your name in the body of the e-mail.

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