

|   |               |                 |                   |
|---|---------------|-----------------|-------------------|
| Certain SUVs/others after Oct. 22, 2004—179 maximum       |               |                 | \$25,000          |
| Depreciation limits for basic cars — 2007 1st year        |               |                 | \$3,060           |
| Depreciation limits for pickups & vans—2007 1st year      |               |                 | \$3,260           |
| Standard mileage rates                                    |               |                 |                   |
| Business  |               | 48.5 cents/mile |                   |
| Charity work  |               | 14.0 cents/mile |                   |
| Medical/moving  |               | 20.0 cents/mile |                   |
| <b>1040-individual returns</b>                            | Married-joint | Single          | Head of household |
| <b>Retirement plan contribution limits</b>                |               |                 |                   |
| IRAs  |               | \$4,000         |                   |
| IRA age 50 catch up                                       |               | \$1,000         |                   |
| SIMPLE  |               | \$10,500        |                   |
| SIMPLE age 50 catch up                                    |               | \$2,500         |                   |
| Other plans age 50 catch up                               |               | \$5,000         |                   |
| 457 plans   |               | \$15,500        |                   |
| 401(k); 403(b); & SEP                                     |               | \$15,500        |                   |
| Defined-contribution plan                                 |               | \$45,000        |                   |
| Defined-benefit plan                                      |               | \$180,000       |                   |
| Compensation limit  |               | \$225,000       |                   |
| Stock bonus & profit sharing                              |               | 25%             |                   |
| <b>U.S. estate &amp; generation skipping transfer tax</b> |               |                 |                   |
| Estate tax exclusion—2007                                 |               | \$2,000,000     |                   |
| Estate tax exclusion—2008                                 |               | \$2,000,000     |                   |
| Estate tax exclusion—2009                                 |               | \$3,500,000     |                   |
| No estate tax—2010  |               | \$0             |                   |
| Back to pre-2001 tax act—2011                             |               | \$1,000,000     |                   |
| <b>Special use valuation reduction limit—2007</b>         |               | \$940,000       |                   |
| <b>U.S. gift tax</b>                                      |               |                 |                   |
| Gift tax exclusion—2007                                   |               | \$1,000,000     |                   |
| Annual exclusion for gifts—2007                           |               | \$12,000        |                   |

# Avoid tax on estates



**Estate-Plan Edge**  
By CURT FERGUSON

**F**OR an individual with an estate of less than \$2,000,000 at death, it is unlikely there will be any estate taxes due. With some pre-planning, a married couple can transfer twice that amount tax free.

But what about a larger estate? Let's consider what I call "high-net-worth" estate tax planning.

We have found that virtually any family can reduce their estate taxes by over 75%, similarly increase the net estate going to your family, and in the process provide significant funding for any charitable or community causes you value. But it is not easy.

### Something for my problem

The emphasis is often placed on what "technique" or "document" you use. Attorneys and financial planners may throw acronyms at you: FLP, ILIT, IDIT, GRAT, GRAT, CLAT, and on it goes. There are so many legal tools available. Where do you start?

One professional adviser highlights your need for liquidity to pay the estate taxes. "OK, OK," you say. "So give me something to 'fix' the problem!" They sell you a "solution." But many farmers and their professional advisers never invest the time and effort to examine the big picture, to see all of the short-term and long-term pros and cons, to assess all of the risks faced and the rewards to be reaped, to look for every available opportunity. After all, who wants to spend much time thinking about death and taxes?

Consider the possibilities. Although it is more complicated, wouldn't you rather

plan carefully so as to remove the estate tax liability instead of just buying life insurance to give to Uncle Sam?

### Planning is a process

It's true that there are many different legal planning tools. We have more than 50 well-worn, complex legal tools in our "shop." But every family is different, and there are innumerable ways that these various tools must be arranged to achieve each farm family's objectives.

The first step is to design a plan that properly coordinates various tools. The complex details and inter-relationships of legal structures necessary to eliminate estate tax on a large estate while keeping the client in control of that estate are mind-numbing.

Work with people who know their tools, but who can also explain them to you in an understandable way.

Someone once said that "There are dozens of plans for success, but none of them work unless you do." This illustrates the next critical step in high-net-worth planning: You must implement the plan systematically over a period of time.

You develop a plan, then work the plan. The magnitude of savings for the family is amazing.

### A sample case

Bill and Mary are worth approximately \$22,000,000. Under their existing plan (with living trusts, wills and similar basics covered), if their deaths occurred in 2007, their family would receive \$13.6 million and the IRS would get about \$8 million. If they live about 25 years, with realistic growth projected, their family would have received \$29 million, and the IRS would get over \$34 million.

We went to work integrating a dozen different legal tools into

a complex design addressing all of Bill and Mary's concerns. They will stay in control.

We added significant asset protection for them and their heirs.

When it comes to estate taxes, with the plan implemented, the IRS will get nothing. If Bill and Mary die in 2007, their family will receive about \$22 million immediately and \$5.5 million later. If they live the 25 years, their family can expect to receive over \$44 million immediately and another \$18 million over time.

In the coming months, I plan to describe some of the particular legal tools used in such a high-net-worth plan, such as leveraged gifting, installment sales, various irrevocable trusts and limited partnerships. But remember, plans that work are not about the tools!

Plans work when you follow a process: clearly understanding what can be accomplished, making fully informed decisions about what you choose to accomplish, and working with professional advisers over the rest of your life to complete all of the steps on the path to reach your goals.

Even after starting this planning, Bill and Mary will continue to invest several thousand dollars per year in professional fees, plus significant time and energy of their own from now until death to make this plan work. But they agreed that keeping their hard-earned wealth in the family is worth it!

### Like to comment?

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