



Retirement Security, Inc.
Doug Birch, CFP®
8655 SW Citizens Dr. #102
Wilsonville, OR 97070
office 800-888-6053
cell 503-928-2030
doug@rsi-mma.com
www.rsi-mma.com

Estate Planning During a Declining Market

July 01, 2009

Estate Planning During a Declining Market

A down market can mean tough times, but it can also present unique opportunities to minimize property transfer (gift and estate) taxes. While owning assets that are losing value might seem like a bad thing, it may actually be a great time to reduce your taxable estate by giving those assets away. That's because current low asset values and interest rates enable you to make gifts at a lower gift tax cost. And, if and when the market rebounds, those assets will be growing in your child's (or other heir's) estate and not in yours. Here are a few gift-giving techniques that take advantage of today's depressing economic climate:

- **Basic gifting:** You can give away up to \$13,000 to anyone you want, to as many people as you want, each year gift-tax free. This is known as the annual gift tax exclusion. You can give away twice that amount if both you and your spouse make the gifts together. And, you can give away even more if you pay tuition or medical bills on behalf of another person (you must make these payments directly to the school or health-care provider).
- **Family loans:** You can lend money to your children at the current IRS minimum interest rate, and then forgive an amount equal to the gift tax exclusion each year (the gift tax exclusion amount is adjusted annually for inflation; \$13,000 is the figure for 2009).
- **Grantor retained annuity trust (GRAT):** A GRAT is a trust into which you put assets that you expect will increase in value over time. The value of the gift is determined using the IRS's current interest rate. The trust must terminate at a specified time (e.g., 10 years). You receive annuity payments during the term of the trust, and at the end, your children receive the property. Hopefully, the assets will appreciate beyond the IRS's interest rate, allowing the excess to pass tax free.

These strategies, and others, can turn this economic downturn into a mixed blessing.



Retirement Security, Inc.
Doug Birch, CFP®
8655 SW Citizens Dr. #102
Wilsonville, OR 97070
office 800-888-6053
cell 503-928-2030
doug@rsi-mma.com
www.rsi-mma.com

This communication should not be considered as an offer to sell or buy any securities, provide investment advice, or make investment recommendations. This information is being provided with the understanding that it is not intended to be interpreted as specific legal or tax advice. Individuals are encouraged to consult with a professional in regards to legal, tax, and/or investment issues. Advisory Services offered through Investment Advisors, a division of ProEquities, Inc., a Registered Investment Advisor. Securities offered through ProEquities, Inc., a Registered Broker-Dealer and member FINRA & SIPC. 2801 Hwy 280 S, Birmingham, AL 35223; 800-288-3035.