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The Law Office of Bruce Kiselstein, Ltd.

NEWSLETTER

Trusts, Estates, Taxes & Asset Protection - A Problem Solving Law Firm

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What's New For 2011 in Federal Estate & Gift Taxes

In our December 2010 Newsletter, we discussed the repeal of the Federal and Illinois Estate Tax, only for the year 2010. At publication of that Newsletter in mid-December, Congress was not yet in agreement over extending the "Bush tax cuts" for both the estate and income taxes. It was expected that they would be extended for a two-year "band-aid" and the income tax rates would remain the same. Further, it was expected that the estate tax exemption would return to \$3.5 million per person with the excess taxed at 45 percent.

Surprise! The tax cuts were not only extended, they were increased. Income tax rates (top bracket of 35 percent) were extended for two years. The Federal Estate Tax Exemption, however, was increased to \$5 million per person and the excess estate tax rate was reduced from 45 percent to 35 percent. In addition, the lifetime gift tax exemption (not to be confused with the annual \$13,000 per person gift exclusion) was increased from \$1 million per person, to \$5 million per person. The lifetime gift tax exemption had been at \$1 million since 2001 and was considered to be a tax exemption that simply would not be adjusted. Even during 2010, when the estate tax was completely repealed, the lifetime gift tax exemption remained at \$1 million.

The above increases in the estate tax exemption and gift tax exemption became effective on January 1, 2011, and will expire on December 31, 2012. Congress will, once again, engage in the same battle. Until December, 2012, a great deal of wealth can be transferred at death or by gift, without taxation. Those of you with large estates, can now gift up to \$5 million per spouse (\$10 million per couple) and move "growth assets" into the next generation's hands or even into grandchildren's hands. This slows the growth in your estate, thus reducing death taxes. Of course, any part of the \$5 million gift tax exemption amount used during your life, is deducted from your estate tax credit, at death. The IRS has never allowed you to add both together. This gives our wealthiest clients great planning opportunities, prior to December 31, 2012. For a more detailed discussion of this topic, see our website at www.trustmelaw.com, click the "Estate Planning" tab, then scroll down to "Articles Section" under What's New for 2011? Call us at (847) 670-8200, if you have any questions about the above.

Big Discounts on Fees For Family

We want your children and your brothers and sisters to join our "family" of clients. Certainly, if they have children, they should have a Will and if they own their own home they should have a Trust. They need to protect their families from Probate and create a protective distribution plan for their children in the event something happens to them. They should also have Powers of Attorney for Health and Property. They need these Powers to manage healthcare and financial planning in the event of their disability and without the intervention of the Guardianship Court. We have always provided a 10% discount to family members, however***, if you refer a family member to our office for any estate planning services before October 31, 2011, we will provide them with a 15% discount off our flat fee schedule of services.*** Better yet, if they attend one of our dinner seminars in October or November, they get a ***free dinner***, 2.5 hours of legal education and a \$500 coupon on our PAT Trust or \$200 coupon on our standard Trust (we'll give them the greater of the coupon or the 15% discount, but not both). ***Upcoming seminars are on October 11, 2011, and October 12, 2011, at the Palm Court Restaurant in Arlington Heights, Illinois.*** ***Call before October 1, 2011, to reserve seats.***

Exciting News - Professional Service Award

Bruce Kiselstein has just been given Chicago Magazine's "Five-Star" Wealth Manager Award for Professional Services. This award is based upon a survey conducted of over 100,000 Chicago Magazine subscribers and over 30,000 high-net-worth individuals in the Chicago Land area. The award is only given to Estate Planning Attorneys, Financial Advisors, and CPA's. A total of only 450 are selected for this honor. We are proud to have been named and look forward to continuing to provide you with the highest standard of excellence in legal service.

2011 Tax and Other Rates			
Annual Gift Exclusion	$13,000 per person	401(k), 403 (b) & 457 Plan Annual Contribution Limit	$16,500.00
Federal Estate Tax Credit Amount	$5,000,000 per person	403(b) Annual Contribution Limit with employer additions	Lesser of $49,000 or 100% of compensation
Illinois Estate Tax Credit	$2,000,000 per person	401(k), 403(b), and 457 Plan Over 50 "Catch-Up" Limit	$5,500
Estate Tax Rate - Federal	35% on excess above $5,000,000	FDIC Insurance	$250,000 per depositor until 12/31/2013
Roth IRA/IRA Annual Contribution Limit	$5,000	IRA & Roth IRA Over Age 50 "Catch-Up" Extra Contribution Limit	$1,000

Asset Protection for Your Home (Revisited)

Our December, 2010, Newsletter told you about a new law that became effective on January 1, 2010. We think we made the article too complicated. Here it is again, simplified.

For years, spouses held title to their personal residence in joint tenancy. Each spouse owned one-half of the home. In the 90's, Illinois followed other States and adopted a form of joint tenancy called Tenancy By the Entirety (TBE). It maintained the "survivorship rights" of joint tenancy, however, it allowed each spouse to own the "entire" interest in the primary residence, not just a one-half interest. This provided asset protection for the home if one spouse was sued. A creditor with a court judgment against one spouse, cannot place a lien on, or attach the house since the innocent spouse owns the entire house. One big problem existed. TBE could not be used if your home was owned by your Trust(s), even though both spouses were the creators of the Trust(s). The Illinois legislature finally responded to this "penalty" to people who were smart enough to create an estate plan with the use of a Trust. Spouses who have their homes owned by their Trusts, can now have the same asset protection provided by TBE, as those folks without Trusts.

We must not have explained this clearly in the last Newsletter since very few clients took advantage of this great asset protection opportunity. All that is required is preparing a new Deed, to place your house, already in your Trust(s), into your Trust(s) as Tenants by the Entirety. The fee for all the paperwork is only $150 (plus any local and county recording fees). It is what we call a "no-brainer." So few clients took advantage of it, we thought we would tell you about it again. Call us today at (847) 670-8200 to obtain asset protection on your home with a new TBE Deed.

New Office Personnel

After six great years with us, John (Jay) Gleason has moved on to the U. S. Trust Company, as a Trust Officer, for high net-worth estates. He has been replaced by Lenore Franckowiak, an attorney who has limited her practice to only estate planning and estate and trust administration for the past seven years at a Park Ridge law firm. We think she is great and so do our clients.

At the same time that Jay Gleason left our law firm, our superb paralegal, Kelley Parker, moved "back home" to Michigan. She has been replaced by Faye Turner, who brings many years of Trusts and Estates background, having worked at an estate planning law firm and recently, having worked for five years in the Trust Department at Fifth Third Bank in downtown Chicago. She is a great new asset to our firm.

Of course, we thank our other trusted staff members: Kathy Koenig, Diane Matalas, Kathy Romza, and the boss' wife, Joanne (all of whom have been with us for many years), and our clients for their patience during this period of transition.

Illinois Estate Taxes

The Illinois Estate Tax exemption returned to its 2009 level of $2 million per spouse, on January 13, 2011, retroactive to January 1, 2011. This means that those of you who are married, and have the two-trust A-B system, must still maintain those Trusts and keep them current if your estates have any chance of exceeding $2 million at the second spouse's death. Those of you who have the A-B Trust system and have lost a spouse, must be sure to keep your late spouse's "Family B" Trust totally separate and distinct from your assets, if you want to take advantage of <u>both</u> spouses' Illinois $2 million exemptions. If you combine or have already combined your late spouse's Trust assets into <u>your</u> Trust assets, you may have created a tax liability. Consider that a $2.5 million estate will create an Illinois death tax of more than $128,000. Call us at (847) 670-8200 if you have questions about the above.

What Happens To My Trust(s) After My Spouse Passes Away?

If you have established a Trust "system" using only <u>one Trust</u> for both spouses, there are only a few necessary steps that need to be taken. The most important of those steps are: 1) File the Last Will and Testament with the Probate Clerk and obtain a certified copy; 2) "Roll-over" your late spouse's IRA (or retirement plan) into your own name; 3) Prepare a Small Estate Affidavit for any assets owned solely in your late spouse's name (not in your Trust or in joint tenancy with you); 4) File a death claim with any insurance company that insured your spouse's life; 5) If your spouse was receiving a pension, contact the pension administrator to continue the benefit payments to you; 6) If your spouse owned an annuity that named you as beneficiary, contact the annuity agent to transfer ownership of the annuity to you; 7) Advise Social Security of the date of death; and 8) If your late spouse's social security number had been listed on any account, remove that number and replace it with your own. These steps may be easy or they may be difficult. They are certainly time consuming. We are here to assist you, should you need our help in handling any of these steps.

If you have established a two-Trust "system," with separate Trusts for husband and wife, the process becomes somewhat more complicated. In addition to the above steps, other procedures must also be followed, such as: 1) Obtaining a Federal Tax Identification Number for your late spouse's Trust; 2) Re-titling assets previously held in your spouse's Revocable Trust, into the names of the Family "B" (tax shelter Trust) and the Marital "A" (marital deduction) Trusts; 3) Calculating and taking an inventory of the Trust assets to determine if any Illinois or Federal Estate Tax is due; 4) Filing income tax returns (Form 1041) for your late spouse's Trust; 5) Making specific distributions (if any are required) under the provisions of your late spouse's Trust; and 6) Opening new accounts in the name of the Family "B" Trust and keeping those assets segregated from the assets in your own Trust.

For the proper administration of your late spouse's A/B Trust, you should contact us to be sure that no costly errors are made. Once again, we are here to assist you in any way we can during a very emotional and difficult period of time. Call us at (847) 670-8200 for assistance.

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"Trusts, Estates, Taxes and Asset Protection....
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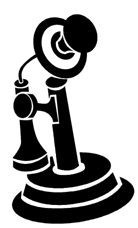
Semi-Annual Newsletter
Important Estate Planning Information Enclosed

Trivia Contest Question

Which business was **not** located in our building at 930 East Northwest Highway, Mount Prospect, Illinois:

1) Paints & Decorating
2) Bathtub Resurfacing
3) Fishing & Hunting Equipment Supplies
4) Printer
5) Mortgage Refinance
6) Television Screen Engineering
7) Real Estate Appraiser
8) Computer Repairs
9) Photography Studio



First client to answer question correctly, will receive an appetizer/wine tasting party for six couples at Cooper's Hawk Winery in Wheeling (no children please).

Call (847) 670-8200 with the correct answer.