

DRAKE, HILEMAN & DAVIS, P.C.

**BAILIWICK OFFICE CAMPUS, SUITE 15
P.O. BOX 1306
DOYLESTOWN, PA 18901-1306
Telephone Number: (215) 348-2088
Email Address: ldavis@dhdllaw.com**

WAYS TO AVOID OR REDUCE FEDERAL ESTATE TAXES

By: R. Leonard Davis, III, Esquire

These are the principal techniques available to reduce or eliminate federal estate taxes in 2009:

1. **The Unlimited Marital Deduction.** This technique avoids any federal estate tax on a transfer of property from a husband to wife or from a wife to husband; however, the effect is often to merely postpone the tax to the death of the second spouse.
2. **Credit Shelter Trust.** By use of this technique, both spouses can fully utilize each of their \$3,500,000 estate tax exclusion amounts (i.e., each can use their unified credit).
3. **Lifetime Exclusion Giving.** Every person is entitled to gift up to \$13,000 per donee, to an unlimited number of donees, during any calendar year, without such gifts being subject to federal gift or estate tax, without the requirement to file a gift tax return, and without impacting a person's lifetime unified credit amount. Through a technique known as "gift splitting," married couples can give up to \$26,000 of jointly held property per donee per year. Gifts can be made in cash, or through other creative techniques, such as gifting shares in a Family Partnership set up for that purpose. (The \$13,000 gift exclusion amount applies in 2009 and will be adjusted in future years to take inflation into account.)
4. **Charitable Gifts.** You get a deduction for federal estate tax purposes for any property transferred to a qualified charity. These gifts can either be made outright, through a Charitable Remainder Unitrust (or Annuity Trust), through a Charitable Lead Trust, through charitable gift annuities, or through other creative charitable gifting techniques. Many such charitable gifting strategies are also income tax-advantaged. In addition, through the use of life insurance, the amount of the asset transferred to charity can be replaced through life insurance proceeds.
5. **Irrevocable Life Insurance Trusts.** Through the use of this technique, the federal estate tax that would otherwise be payable can be covered through a life insurance policy which is removed from one's taxable estate by placing it into an Irrevocable Life Insurance Trust.

Please call or email us if you are interested in exploring any of these techniques.