

PRINCE

LAW FIRM

ATTORNEYS AND COUNSELORS AT LAW

'TIS THE SEASON

It's that time of year again. Have you made your gift list? Did you check it twice? Here are a few gift ideas that you should keep in mind. Not only will they be well received, but you will benefit from them, too:

Make Annual Exclusion Gifts

Through the end of 2006, and again in 2007, you can make a gift worth up to \$12,000.00 to as many individuals as

you like, without incurring any liability for the federal estate tax. The gift may be of cash, real estate, securities, or other assets. Your spouse can also make gifts to the same people, so that one person could receive a total of \$24,000.00 from you and your spouse. The gift will reduce your taxable estate and the recipient does not have to pay any taxes on the gift.

The annual exclusion gift can be made to fund an Irrevocable Life Insurance Trust, provided that certain notice requirements are met. The gift can also be used to fund a 529 education savings plan. Under the lump-sum provisions of the 529 plan, you can make up to five years' worth of annual exclusion gifts at one time, for a total contribution of \$60,000.00 in one year. Your spouse can do the same for a total contribution of \$120,000.00 without triggering any gift tax.

In order to qualify as an annual exclusion gift for 2006, the asset that is gifted must be transferred to the recipient by December 31, 2006. This means that checks must be cashed (or consider using cashier or certified checks), deeds must be signed and delivered, securities transactions must be settled, and any other conveyances must be completed by that date. We also recommend that you make annual exclusion gifts for

2007 in January instead of waiting until December for a more immediate reduction in your taxable estate. If you make any gifts in excess of \$12,000.00 to any one person, you will have to file a gift tax return and report all of the gifts you have made for that year.

Utilize Your Lifetime Gift Tax Exemption

The Federal Gift Tax applies to any transfer of property by gift. However, you are entitled to a gift tax credit that allows you to make lifetime gifts with an aggregate value of up to \$1 million without having to pay any gift tax. The credit will be charged against any gifts that you make to anyone in excess of \$12,000.00 in one year. If you do not use the entire credit while you are alive, the balance of the credit can be used to offset your estate tax liability at your death. This is called the "unified credit."

Pay Educational or Health Care Expenses for Others

As a gift, you can pay tuition expenses or medical and dental expenses on behalf of any individual without limit, if you make the payment directly to the educational or medical institution. In addition, you can still make the \$12,000.00 annual exclusion gift to the person for whom you paid tuition or medical expenses.

THE PRINCE LAW FIRM
31300 NORTHWESTERN HIGHWAY
FARMINGTON HILLS, MI 48334-2523
TELEPHONE: 248.865.8810
FACSIMILE: 248.865.0640
TOLL FREE: 888.368.8810
WEB SITE: www.probateprince.com

PATRICIA GORMELY PRINCE
probateprince@aol.com

SHAHEEN I. IMAMI
sii@probateprince.com

CARINE J. HAILS
cjh@probateprince.com

BERYL J. LEVIN, LEGAL ASSISTANT
bjl@probateprince.com

'TIS THE SEASON *continued*

Make Charitable Contributions

Making a charitable contribution removes assets from your taxable estate and can qualify you for an income tax deduction. Contributions of money or property must be made to a qualified

organization. Your deduction is generally limited to 50% of your adjusted gross income, but in some cases 20% and 30% limits may apply. In addition, the total of your charitable contributions deduction and certain other itemized deductions may be limited. If you donate property other than cash to a

qualified organization, you may generally deduct the fair market value of the property on your income tax return. If the property has appreciated in value, however, some adjustments may have to be made.

NEW YEAR'S RESOLUTIONS

What will you promise to do this year? Do you have a will or a trust? Do you have a durable power of attorney for finances or a power of attorney for health care? These documents comprise the most basic of estate plans. They allow you to determine who will handle your finances and medical affairs if you become incapacitated and to direct how

Review Your Life's Changes

In the last year, have you gotten married or divorced? Have you experienced the birth or adoption of a new child? Have you acquired real estate or other valuable property? Have you changed employers or bought or sold a business? Has an immediate family member passed away or become disabled? Has your own health status

minor children? Check the beneficiary designations for your retirement accounts, insurance policies, and other assets. Have you named a designee for each asset? If so, does the designee continue to be the most appropriate person or entity? Has a designee died? If you have a Revocable Trust, have you transferred all newly acquired assets into it? If not, you risk having your estate go through probate when it doesn't have to. Do you want to change the way your assets are distributed at your death? Call our office to discuss any potential changes to your Estate Plan.



your property will be managed and distributed after your death. If you do not have an estate plan, make a resolution to call our office and schedule an appointment with one of our attorneys to establish one. If you already have an estate plan, here are some suggestions for resolutions that are easy to keep and incorporate into a yearly routine.

changed? If you answered yes to any of these questions, your estate plan may need to be revised.

Revise Your Estate Plan

Review your choices of fiduciaries. Do you need to change your nominees for Personal Representative, Trustee, Attorney-in-Fact, Patient Advocate, or Guardian and Conservator for your

Recommend Estate Planning to Family and Friends

According to a survey conducted by LexisNexis, nearly 60% of Americans do not have a Will and almost 70% do not have a Power of Attorney for finances or health care. Everyone, regardless of financial status, should have these documents in place, especially those with minor or disabled children or children from a prior relationship. Advanced planning techniques can be used to reduce personal tax liability and keep a family business running smoothly after the loss of key personnel. Encourage your family and friends to create an estate plan. It could save you from stress, conflict, and unnecessary legal expense in the future.