

Many South Florida families could feel the squeeze

Harriet Johnson Brackey Personal finance

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How do you plan your estate when the rules are changing? The answer for many South Florida families seems to be: with a lot of flexibility.

The problem: This year, the federal estate tax rate is zero, because Congress let it expire. If the law doesn't change, next year, for estates worth more than \$1 million, the tax comes roaring back, starting at a very stiff rate of 55 percent.

Think your family would never have to pay the tax? The tax rules make that harder than you might expect.

An estate can include the value of a house, maybe a vacation home or a small business, investments and perhaps the full death benefit from a life insurance policy. When you add up all the items that must be included for tax purposes, even though real estate values have declined in the last two years, estate planners say plenty of South Florida families will find that their inheritance hits the \$1 million mark.

Here are a few things to keep in mind:

Who should care? If your relative dies this year, there is no estate tax for 2010. If it happens next year or thereafter, the amount that is excluded from tax, which was \$3.5 million in 2009, drops to \$1 million. The Urban-Brookings Tax Policy Center estimates that if nothing changes, the estate tax could hit 46,000 estates nationwide.

"We're in a strange spot," said tax attorney **Larry Ploucha** of **Atkinson, Diner, Stone, Mankuta & Ploucha** in Fort Lauderdale. "It's the first time since the estate tax was implemented in 1915 that we have not had it."

There's more to it than just that, including different rules this year and for the future on the taxation of inherited stocks and bonds.

Estate taxes have snagged quite a few working folks – teachers, librarians and curators were right behind CEOs and doctors, according to a study of estate tax returns for 2004 in the April issue of the Journal of Financial Planning.

What should you do? "If you have existing estate planning documents done some time ago, you should consult with an estate planner," said Bruno Graziano, a senior analyst with CCH, a **Wolters Kluwer** business that provides tax and accounting information.

Among the worst-case scenarios is the possibility of disinheriting someone who was meant to get a bequest. That could happen when an old estate planning documents direct an amount "equal to the federal estate tax exemption" to go to a spouse, for example, and the rest to children. Since the exemption this year is 0, that spouse would be out of luck.

Graziano says seven states have passed laws that say if a person dies in 2010, the documents should be interpreted as if the person had actually died under the law as it was in 2009. Florida is not one of them.

Disputes could be very common in those states and here. "Will state courts enforce the terms of the will or try to follow the wishes of the decedent?" Ploucha asked. They might do either one and still, "The [IRS](#) doesn't have to follow that."

Graziano notes that there are ways to allow someone in charge of your estate to make changes after you die – so that it can fall in line with future laws. An attorney or financial planning professional can explain all the ways this can be done.

What's your goal? Taxes, after all, are just one reason for planning your estate. The others are probably far more important.

"You have to start with the basics," said Certified Financial Planner Howard Kramer of Plantation. You need to look at what you want for your spouse, whether you want to make gifts to children or others, what to do with businesses and vacation homes, how much you want to give to charity, any special needs in your family. "When times are unsure, it's time to really be assured of what you want to do," he said.

Plan the whole picture, and the estate will fit in with the rest.

For more information, try http://www.mystatewill.com/fed_tax.htm

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