

# Price & Farrington's Estate and Tax Planning FastFaxts

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Estate, Tax, Business and Wealth Planning for Advisors and Clients

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New Year's Resolution: *I Will See  
An Estate Planning Attorney, Finally*

HAPPY  
NEW YEAR!



## Affluent People Lack Estate Plans

According to a recent study cited in the Wall Street Journal, the wealthier you are the less likely you are to protect your assets through estate planning.

**Will-lessness.** About one in five affluent Americans—defined as those with at least \$500,000 in investable assets—doesn't have a will. And get this: among individuals with \$10 million or more in investable assets, about 43% don't have a will. (The survey of almost 800 wealthy Americans has a margin of error of plus or minus 4%). These findings contrast with a survey done last year by a legal publisher, Martindale-Hubbe, showing that the higher a person's income, the more likely that person is to have a will. (Maybe there's a relevant distinction here between investable assets and income.??)

**Dubious divvy.** Overall, about 58% of more than 1,000 adults ages 18 and older lacked a will in 2004, according to the publisher. One result? Your assets will be divvied up by state law, possibly leaving your heirs in the lurch.

Procrastination may be behind wealthy individuals' lack of planning. But they may also be stymied by reluctance to talk about wealth-transfer issues and confusion over how to deal with their complicated planning needs.

Even charitable inclinations can be a source of worry for families. More than half of those surveyed said they felt obligated to give to charity, but choosing where to donate was a real concern.

An elderly gentleman had serious hearing problems for many years. He finally went to a doctor who fitted him with a hearing aide that allowed him to hear 100%. The gentleman went back to his doctor a month later, who told him: "Your hearing is perfect; you must be very pleased." The gentleman replied: "Oh, I haven't told my family yet. I just sit around and listen to the conversations. I've changed my will three times!"

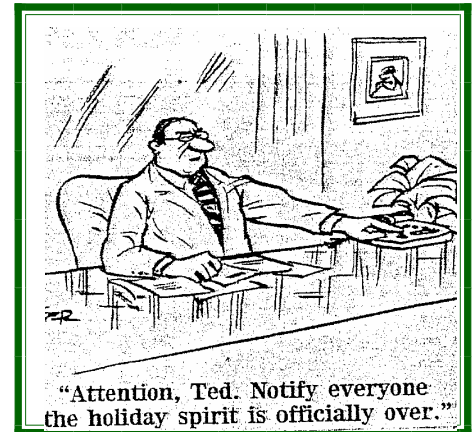
## Estate Taxes in a State of Flux?

What exactly is the future of estate taxes? It's anyone's guess. President Bush appears intent on pushing for permanent repeal and he currently enjoys a fattened Republican majority to try to accomplish that. On the flip side, a huge and growing federal budget deficit has raised increasingly strident objections to "reckless and irresponsible" fiscal policies based on permanent tax cuts, especially for the "wealthy".

**Current status.** The federal applicable exclusion amount for 2005 remains at \$1.5 million. This is the amount that a person can pass federal estate tax-free on death. A married couple using appropriate tax planning can pass \$3 million. Under current law (EGTRRA 2001) the exclusion amount is scheduled to increase to \$2 million for years 2006-8.

**Decoupling.** The federal credit for state death taxes formerly resulted in any estate tax due to Washington state being paid out of the federal share. The current "decoupled" federal/state estate tax regime results in a tax levied on assets owned in Washington in excess of \$950,000. (Effective January 1, 2005.) The amount increases to \$1 million in 2006. Example #1: Maria Muerto passed away on New Year's Day owning a net taxable estate of \$1.5 million. While her estate owes no federal estate tax, a Washington tax will be assessed; the amount is approximately 16% of the amount in excess of \$950,000. Example #2: Dee Parture, a Washington resident, left us on January 5, owning a \$2 million estate. Her tax bill? A state levy of roughly 16% on the amount above \$950,000 and a federal bite of over 40% on the amount above \$1.5 million. ■

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**Need more and mum's the word.** All those surveyed felt they need to roughly double their assets to achieve long-term financial security. For example, those with \$500,000 to \$1 million wanted a median of \$2.4 million, while those with at least \$10 million estimated that they would need \$18.1 million.

The wealthiest individuals also tend to be the most likely to keep mum about their wealth-transfer plans. About 58% haven't yet discussed wealth transfer with family members, and one in five who have these plans doesn't expect to broach the topic. At P&F we facilitate discussions between parents and children. We encourage families *not* to have the proverbial death-bed conversation—that's precisely the wrong time to do it. ■

### ***New Year's Resolutions:***

***I will be nicer.***

***I will lose weight.***

***I will be more organized.***

***I will see an estate***

***planning attorney, finally!***

***Our very best wishes to our friends,  
trusted colleagues and clients for a  
healthy, prosperous 2005! ...GDP***



Glen D. Price