



51A Middle Street Newburyport MA 01950
Phone: 800-588-7039 Fax: 877-902-4284
contact@bhfe.com www.bhfe.com

Course Information

Course Title: #296019 *Advisor's Guide to Estate Planning*

CFP Board Course ID# 257116

Recommended CPE credit hours for this course:

CFP®: **21** (All states) CFP Board sponsor number: 1008.

CPA: **29** (All states)

In accordance with the standards of the CFP Board and the National Registry of CPE Sponsors, CPE credits have been granted based on a 50-minute hour. National Registry of CPE Sponsors ID Number: 107615, State Board sponsor numbers where applicable: FL: 4761; HI 14003; NY: 002146, OH: M0021, PA: PX178025, TX: 009349.

CLU, ChFC/PACE Recertification: **29**

Course Description

Advisor's Guide to Estate Planning is written specifically to present experience-based guidance to practitioners that is directly applicable in professional practice. The course provides a comprehensive study of the process of accumulation, conservation, and distribution of an estate in the manner that most efficiently and effectively accomplishes the client's goals. Key topics are broken down into smaller components and illustrated with client situations to reinforce the concepts and facilitate the practitioner's learning experience.

Program Delivery Method: Self-Study (NASBA QAS Self-Study/Interactive)

Subject Codes/Field of Study

CFP Board of Standards, Inc., NAPFA: Estate Planning
NASBA/CPA: Specialized Knowledge and Application

Course Requirements

Program Level of Complexity

CFP Board: **Advanced**

NASBA (CPA): **Advanced.**

This program is appropriate for professionals at all organizational levels.

Prerequisites: Significant knowledge of estate planning.

Advance Preparation: None

Course Content

Publication/Revision date: Course-Text: 1/1/2019.

Course authors:Carolynn Tomin, CFP®; Colleen Carcone, JD, CFP®.

Course text: *Principles of Estate Planning*, 3rd Ed, 2018, National Underwriter Co.

Exam: (online): 145 multiple-choice questions.

Instructions for Taking This Course

You must complete the course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed at the beginning of each chapter, studying the chapter-text, and studying the review questions at the end of the chapter. Once you have completed each chapter and you are confident that the learning objectives have been met, answer the final exam questions for that chapter (online). As an alternative, you may complete the the entire exam after studying the entire text.

Instructions for Taking the Exam Online:

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Go to "My Account" and view your course.

Select "Take Exam" for this course and follow instructions.

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Learning Objectives are on page xxvi (following the Table of Contents).

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FOREWORD

Technically, Estate Planning encompasses the process of accumulation, conservation, and distribution of an estate in the manner that most efficiently and effectively accomplishes the client's goals. In short, almost everyone has some estate and every one of those estates are planned – either by the dictates of state law – or by a person or couple who takes deliberate and conscious control of the process.

But money and assets are not the whole story. Estate planning is very much about people, the accomplishment of their dreams and hopes, and the vanquishing of their fears. In fact the “people problems” are every bit as – if not more so – challenging than the technical tax and other legal aspects. This is why the subject of estate planning is so very important.

Practitioner-educators Carolynn Tomin and Colleen Carcone are uniquely qualified to guide you through your first look at this intellectually, psychologically, and financially rewarding field. They have succeeded in taking a highly complex and astoundingly broad body of information and distilling it into an organized, clear, crisp, and concise tool to help you quickly master the basic concepts. Each term of art is both defined and illustrated by examples. Carolynn and Colleen have provided you with a Rosetta stone to the language of estate planning.

Look at the contents of this book as a door to a mansion filled with fine art. Walk in and wander through the rooms and you will be awed by the treasure that you will find – not just to enrich others' lives – but also to enrich your own and your family's.

Stephan R. Leimberg
April 2018

THIRD EDITION

Since we wrote the first edition of this book in 2012, we have seen new legislation implemented in the form of the American Taxpayer Relief Act of 2012 (ATRA) and the Tax Cuts and Jobs Act of 2017 that has vastly changed the estate planning landscape. There has been a doubling of the federal estate tax exemption amount, allowing many to focus less on estate tax planning and more on ensuring their objectives are met.

Principles of Estate Planning, Third Edition reflects the very latest tax code laws, rates, and exemptions enacted with the Tax Cuts and Jobs Act. We have also updated the text to reflect other changes that are relevant to estate planning professionals. This includes a thoughtful analysis of the income tax considerations that may come into play when developing a client's estate plan. These changes are important from a “nuts and bolts” perspective, but they also remind us that the practice of estate planning involves more than just estate taxes. Estate planning is about helping your clients take stock of what they have accomplished and decide what kind of legacy they will leave behind for those that they care about. We hope you will find this updated version of the first edition most useful in understanding the comprehensive subject of Estate Planning.

Carolynn B. Tomin, CFP®
Colleen Carcone, JD, CFP®
July 1, 2018

PREFACE

Throughout our many years of experience in teaching estate planning we recognized the need for a textbook that would assist students in learning the complex principles and techniques of estate planning. We observed that students were easily confused by certain legal terms and tax concepts and that they struggled to understand some of the more advanced estate planning strategies they were expected to know. This led us to continually search for effective teaching methods and materials that would help students understand these difficult estate planning topics. Over time, and through experience, we developed better teaching practices and materials that have helped our students with their studies. We decided to share our format, the organization of our materials, and the many client situations and practitioner tips we developed with students and instructors whom we hope will benefit from our work.

The Importance of Learning Estate Planning

Sometimes a student wonders why he or she needs to learn estate planning when a licensed attorney is the only professional who has the authority to practice law and provide comprehensive estate planning for clients. We explain that estate planning involves the coordination of expertise and special skills of all members of the client's estate planning team, which often includes financial planners and other financial advisors. Planners must recognize clients' estate planning issues and they should understand how alternative solutions can affect a client's overall financial plan. Every member of the estate planning team is obligated to be aware of the tools and techniques of estate planning, to understand their limitations as well as their problem-solving potential, and to be knowledgeable enough to discuss them in general terms with clients and their other advisors.

It is important for students to understand that estate planning knowledge can add tremendous value to a client's life and also to a client relationship. A former student, Thomas C. Schwab CFP® of Santa Fe, New Mexico, contributed this explanation:

"In many client engagements, I have found estate planning knowledge and the ability to make meaningful contributions to a client's estate planning the most significant aspect of the relationship. This area of knowledge often sets CFP® practitioners apart from other financial advisors, creating opportunities to engage and collaborate with the other important professionals in the client's life. It also demonstrates to our clients that we are committed to helping them manage and find solutions to often complex intergenerational issues that touch upon their hopes, desires, and values. Because estate planning usually integrates fundamental aspects of our other areas of expertise, such as tax planning, investment planning, and insurance planning, it also creates an opportunity to organize the many pieces of the planning puzzle together with the client into a coherent, comprehensive plan.

"Estate planning inevitably touches upon many (sometimes deeply charged) emotional areas of the client's life--their family relationships, their charitable motives, their wish to leave a legacy, and their acceptance of their own mortality. Therefore a CFP® practitioner who is skilled in estate planning knowledge can forge a deep and intensely meaningful professional relationship with clients and their families. In my practice, it is not at all unusual for clients to express deep gratitude for the sensitive handling of all of these issues.

“Clients are often surprised, having initially contacted me for investment advice, that there is so much more that a knowledgeable CFP® practitioner can contribute to their overall planning. Some clients report feeling immense relief, confidence, and peace of mind that this area of their planning has been addressed thoughtfully and comprehensively. In the process, I often get to know the client’s children and grandchildren and this is a source of enrichment for me and for my clients. In some cases, I am treated as a trusted member of the family. All of this makes a solid grounding in estate planning not only a necessity, but it also creates opportunities for truly intellectually and emotionally stimulating experiences in financial planning that can be life changing for my clients and for myself. I have no doubt that this has contributed to my being considered a trusted member of the professional community and, through word of mouth, has brought many new clients into my practice.”

Unique Features of Principles of Estate Planning

Principles of Estate Planning is written specifically for estate planning students and for financial planning practitioners, and other advisors who want to provide greater value for their clients by offering more comprehensive financial planning services.

This textbook is, in essence, a practitioner’s guide to estate planning. The topics covered in this book include all of the CFP® Certification Examination Principle Topics and subtopics related to estate planning at the highest academic level. Our objective is not only to explain the topics in great detail but to emphasize their practical application in planning situations and in the context of a comprehensive financial plan. Each topic is broken down into smaller components and illustrated with client situations to reinforce the concepts and facilitate the student’s learning experience.

Learning objectives are provided for each chapter. They emphasize the most important information that students need to know. Chapter learning objectives have specific learning outcomes linked directly to CFP Board principal topics. Students should test their understanding of chapter material by using the learning objectives as academic benchmarks in their studies. Many of the learning objectives are taken from the CFP Board resource document *Student Centered Learning Objectives based upon CFP Board Principal Topics*.

Client situations are interspersed throughout the book and are intended to demonstrate how topic information is applied to financial planning and estate planning situations. Students often find that topic content is difficult to understand, but when an explanation is combined with a client situation, the material is better understood. Client situations in this book are not necessarily based on real-life examples, but they can be applied to real-life planning situations.

Practitioner tips are included throughout the textbook because they provide advice and practical guidance to students and financial planning practitioners when working with clients. We want our readers to understand how the information is used in practice and have emphasized points that a practitioner would want to know.

Chapter highlights emphasize the most important material presented in the chapter and are included at the end of each chapter. Students must have a thorough understanding of the information presented here and can use this feature as a summary and a review of chapter information.

Key terms are bolded throughout the text and are listed in alphabetical order at the end of each chapter. The meaning of these terms can be found in the context of the chapter material, and definitions can be found in the glossary.

Review questions are the last component of each chapter and are intended to test a student's knowledge of the chapter information. We encourage students to test themselves on the questions provided, because practice questions will help students understand the material better. The answers are provided in Appendix A, located in the back of the book, so that students can read an explanation of the correct answer and understand why other answer options are incorrect.

Finally, for simplicity's sake, we have opted to use the pronoun *he* in this book, to represent both genders.

We believe that the format and structure of our textbook will allow students to learn not only the estate planning concepts essential for practitioners to know, but it will provide them with an understanding of how these concepts work in the real world of financial planning. We are proud of this textbook and hope that our readers will be educated and enlightened by it.

With best wishes for your professional success,

Carolynn B. Tomin, CFP®
Colleen Carcone, JD, CFP®
July 1, 2018

ABOUT THE AUTHORS

Colleen Carcone, CFP®, is a **financial planning professional and attorney** specializing in comprehensive estate and tax planning matters. Since 2008, Ms. Carcone has taught estate planning at Boston University's Program for Financial Planning. Ms. Carcone also serves as a Wealth Planning Strategist for TIAA, where she provides wealth transfer, estate planning, and tax planning services for the company's client needs.

Prior to joining TIAA, Ms. Carcone worked with Atlantic Trust Company, where she advised high-net-worth clients on all aspects of estate planning including basic planning, asset ownership, charitable gifting, multigenerational transfers, and other sophisticated estate planning strategies while working with clients' outside advisors to implement these techniques. Formerly Ms. Carcone worked with Atlantic Benefit Group, an insurance firm, advising high-net-worth individuals and business owners and providing assistance with the implementation of advanced estate and business planning techniques utilizing life insurance.

Carolynn B. Tomin, CFP®, specializes in financial education. She is the Program Director for Boston University's classroom and online financial planning programs and has augmented curriculum for the online program for fifteen years. She has taught estate planning courses, virtual reviews, and CFP® Certification Exam reviews for twenty years at colleges in Massachusetts and Florida, and for many banks and financial service companies in both states.

As cofounder of a financial education company, Beacon Hill Financial Educators, she developed and presented continuing education courses to many financial service corporations and financial planning organizations.

Ms. Tomin served as a member of CFP Board's *Council on Education* from 2009 – 2012, and was appointed Chair in 2012. She has also served on the board of directors for the southwest Florida chapter of the Financial Planning Association (FPA). She is a former member of the Boston Estate Planning Council.

ABOUT THE MANAGING EDITOR

Richard H. Cline, J.D., is the Senior Director, Tax and Insurance Content for the Practical Insights Division at the National Underwriter Company, an ALM Media company. He is responsible for both the print and online versions of Tax Facts as well as developing new tax products for our customers.

Richard joined the company in 2013 but has over twenty-five years of tax editing and publishing experience. Prior to joining our team, Richard worked for Lexis-Nexis, CCH, Inc., and PricewaterhouseCoopers.

He has a B.S. degree from Franklin and Marshall College in Lancaster, Pennsylvania, and earned his law degree from Tulane University in New Orleans, Louisiana.

ABOUT THE EDITOR

Jason Gilbert, J.D., M.A., is the Senior Editor with the Practical Insights Division of The National Underwriter Company, a division of ALM Media, LLC. He edits and develops publications related to tax and insurance products, including titles in the *Advisor's Guide* and the *Tools & Techniques* series of investment and planning products. He also develops content for National Underwriter's other financial services publications and online products. He has worked on insurance and tax publications for more than nine years.

Jason has been a practicing attorney for more than a dozen years in the areas of criminal defense, products liability, and regulatory enforcement actions. Prior to joining National Underwriter, his experience in the insurance and tax fields has included work as a Westlaw contributor for Thomson Reuters and a tax advisor and social media contributor for Intuit. He is an honors graduate from Wright State University and holds a J.D. from the University of Cincinnati College of Law as well as a master's degree in Economics from Miami University in Ohio.

EDITORIAL SERVICES

Connie L. Jump, Senior Manager, Editorial Operations

Patti O'Leary, Senior Editorial Assistant

ACKNOWLEDGMENTS

Writing a textbook is a very time-consuming process. When we began writing the first edition back in 2011 we found that all of our precise planning and self-imposed deadlines were quickly overturned as events in our lives took center stage and demanded our full time and attention. Over the years, we have both experienced the deaths of loved ones, the illness of close friends, and the birth of grandchildren, nieces and nephews. These events made us recognize how truly important estate planning is and appreciate what it can accomplish, as we dealt with estate planning issues within our own families.

We want to extend a very special thank you to our families, who have supported us and encouraged us throughout the writing of this book.Carolynn would especially like to recognize and thank her husband, Nigel Tomin. Without the love, understanding, and support of our families, this book would never have been written.

We wish to further acknowledge the many colleagues who provided us with advice and especially acknowledge many of Colleen's colleagues at TIAA and in the Boston legal community who made significant contributions to this book..

We have been very fortunate to work with our editor, Jason Gilbert who skillfully guided us through the writing process and also provided us with much-needed encouragement along the way. We are also grateful to the folks at the National Underwriter Company, especially Jay Caslow, for the support and confidence they have shown in us and in this project.

Finally, we want to extend a very sincere and special thank you to Stephan Leimberg, who graciously allowed us to adapt and incorporate into this textbook parts of *The Tools & Techniques of Estate Planning*.

SUMMARY TABLE OF CONTENTS

Foreword	iii
Preface	v
About the Authors	ix
Acknowledgments	xi
Chapter 1: Introduction to Estate Planning	1
Chapter 2: Property Interests	17
Chapter 3: Community Property	39
Chapter 4: Methods of Property Transfer at Death	51
Chapter 5: The Probate Process	63
Chapter 6: Wills	81
Chapter 7: Incapacity Planning	99
Chapter 8: Trusts	121
Chapter 9: Income Taxation of Trusts, Estates, and Beneficiaries	139
Chapter 10: Gifting Strategies	153
Chapter 11: Gift Tax Calculation	173
Chapter 12: Gifts to Minors	197
Chapter 13: The Gross Estate	213
Chapter 14: Estate Tax Calculation	235
Chapter 15: The Marital Deduction	257
Chapter 16: Marital Trusts	275
Chapter 17: Charitable Transfers	297
Chapter 18: State Death Tax Deduction	319
Chapter 19: Generation-Skipping Transfer Tax	329
Chapter 20: Powers of Appointment	349
Chapter 21: Life Insurance Planning	367
Chapter 22: Irrevocable Life Insurance Trusts	385
Chapter 23: Estate Planning with Retirement Benefits	401
Chapter 24: Estate Freeze Strategies	415
Chapter 25: Intra-family and Other Business Transfer Techniques	431
Chapter 26: Family Limited Partnerships and Limited Liability Companies	451
Chapter 27: Business Planning Strategies	467
Chapter 28: Estate Planning for Non-traditional Relationships	489
Chapter 29: The Intersection of Income and Estate Tax Planning	509
Chapter 30: Common Estate Planning Considerations	525
Appendix A: Tax Rate Schedules	545
Appendix B: Valuation Tables	549
Glossary	583
Index	605
Answers to Review Questions	615

DETAILED TABLE OF CONTENTS

Foreword	iii
Preface	v
About the Authors	ix
Acknowledgments	xi
Chapter 1: Introduction to Estate Planning	1
Overview	3
Who Needs an Estate Plan?	3
Situations That Require Advanced Estate Planning.....	4
The Estate Planning Process	5
Step 1: Understanding the Client’s Personal and Financial Circumstances	5
Step 2: Identifying and Selecting Goals	6
Step 3: Analyzing the Client’s Current Course of Action and Potential Alternative Courses of Action	6
Step 4: Developing Recommendations	6
Step 5: Presenting Recommendations	7
Step 6: Implementing Recommendations	7
Step 7: Monitoring Progress and Updating the Plan	7
The Unauthorized Practice of Law	8
The Financial Planner’s Role	9
Financial Planner Responsibilities	10
Fiduciaries	12
Executor Responsibilities	12
Trustee Responsibilities	13
Chapter Highlights.....	14
Key Terms	15
Review Questions.....	15
Chapter 2: Property Interests	17
Overview	19
Sole Ownership.....	19
Income Tax Considerations.....	19
Estate Tax Considerations	19
Tenancy in Common	20
Income Tax Considerations.....	20
Gift Tax Considerations.....	22
Estate Tax Considerations	22
Joint Tenancy with Right of Survivorship	22
Considerations during Lifetime	22
Considerations at Death.....	22
Joint Tenancy with Right of Survivorship with Spouses.....	23
Income Tax Considerations.....	23
Gift Tax Considerations	24
Estate Tax Considerations	24
Joint Tenancy with Right of Survivorship with Nonspouses	25
Income Tax Considerations.....	25
Gift Tax Considerations.....	25

Estate Tax Considerations	26
Tenancy by the Entirety	27
Life Estates and Remainder Interests	28
The Life Tenant’s Interest	29
The Remainder Beneficiary’s Interest.....	29
Income Tax Considerations.....	30
Gift Tax Considerations.....	30
Estate Tax Considerations	30
Estate for a Term of Years	31
Digital Assets.....	32
Chapter Highlights.....	34
Key Terms	35
Review Questions.....	36
Chapter 3: Community Property	39
Overview	41
Community Property Interests.....	41
Non-community Property Interests.....	41
Tax Considerations.....	42
Income Tax Considerations.....	42
Gift Tax Considerations.....	43
Estate Tax Considerations	43
Moving between Community Property States and Non-community Property States	45
Quasi-community Property	46
Community Property Considerations with Life Insurance.....	48
Community Property Considerations for Same-sex Couples and Domestic Partnerships	48
Chapter Highlights.....	48
Key Words	49
Review Questions.....	49
Chapter 4: Methods of Property Transfer at Death.....	51
Overview	53
Assets That Pass by Probate.....	53
Property Transferred by Will	53
Intestacy	54
Assets Paid to the Estate.....	55
Assets That Pass by Operation of Law	56
Jointly Held Assets and Tenancy by the Entirety	56
Life Estates and Estates for a Term of Years	56
Totten Trust, POD, TOD	57
Transfers through Trusts.....	58
Transfers by Contract.....	59
Assets That Pass by Beneficiary Designation.....	59
Prenuptial and Postnuptial Agreements.....	59
Buy/Sell Agreements.....	60
Deeds of Title	60
Chapter Highlights.....	60
Key Terms	60
Review Questions.....	61

Chapter 5: The Probate Process	63
Overview	65
Steps in the Probate Process.....	65
Appointment of the Personal Representative	65
Providing Notice to Creditors	66
Collecting the Assets.....	67
Valuation of the Estate.....	68
Managing the Estate.....	69
Payment of Taxes, Debts, and Expenses	69
Distributing Remaining Assets.....	70
Ademption and Abatement Statutes	71
Advantages and Disadvantages of Probate.....	71
Ancillary Probate	72
Intestate Succession.....	73
Probate Avoidance Strategies	74
Operation of Law	74
Beneficiary Designations.....	74
Trusts	75
Chapter Highlights.....	75
Key Terms	76
Review Questions.....	76
Appendix 5A: Executor’s Primary Duties	78
Chapter 6: Wills	81
Overview	83
An Introduction to Wills.....	83
Disposition of Property under a Will.....	83
Per Capita and Per Stirpes	85
Limitations of Wills	86
Property Passing by Will	86
Community Property Considerations.....	87
Pretermitted Heirs.....	87
Elective Share Statute.....	88
Will Provisions and Clauses.....	88
Introductory Clause	89
Payment of Expenses, Debts, and Taxes	90
Powers Clauses.....	91
Appointment of Fiduciaries.....	91
Guardian of Minor Children.....	92
Legal Requirements.....	92
Testamentary Capacity	92
Types of Wills	93
Will Contests	94
Modifying or Revoking a Will	94
Reasons for Updating a Will.....	95
Tax Implications of Wills	95
Estate Tax	95
Income Tax.....	95
Chapter Highlights.....	96
Key Terms	96
Review Questions.....	97

Chapter 7: Incapacity Planning	99
Overview	101
Documents to Plan for Incapacity	101
Revocable Trust.....	101
Powers of Attorney	102
Powers of Attorney for Financial Matters.....	103
Powers of Attorney for Health Care	108
Living Will.....	109
Special Needs Trusts	110
ABLE Act	111
Medicare and Medicaid Planning	112
Social Security Disability	112
Medicare	113
Medicaid	113
Legal Aspects of Incapacity Planning	114
Guardianship	114
Conservatorship	115
Chapter Highlights.....	117
Key Terms	118
Review Questions.....	118
Chapter 8: Trusts	121
Overview	123
Parties to a Trust	123
Grantor.....	123
Trustee	123
Trust Protectors.....	125
Trust Beneficiaries	126
Remainder Beneficiaries in Trust	127
Trust Classification	128
Simple Trusts versus Complex Trusts	128
Revocable Trusts versus Irrevocable Trusts.....	128
Common Types of Trusts and Trust Provisions	133
Distribution Provisions.....	133
Spendthrift Provisions or Spendthrift Trust	134
Trust Jurisdiction or Situs.....	134
Rule Against Perpetuities.....	134
Pour-over Trust.....	135
Chapter Highlights.....	136
Key Terms	136
Review Questions.....	137
Chapter 9: Income Taxation of Trusts, Estates, and Beneficiaries	139
Overview	141
Income Taxation of Trusts and Estates	141
Taxation of Simple Trusts	142
Taxation of Complex Trusts	143
Grantor Trust Rules.....	144
Income Taxation of Estates.....	145
Income Tax Considerations for Beneficiaries	147

Income in Respect of a Decedent	147
Taxation of IRD Assets.....	148
Chapter Highlights.....	149
Key Terms	150
Review Questions.....	150
Chapter 10: Gifting Strategies	153
Overview	155
Gifting Strategies	155
Parties to a Gift	155
Non-tax Advantages of Gifting.....	155
Tax-oriented Advantages of Gifting.....	155
Best Property to Gift.....	156
Best Property to Keep	157
Pros and Cons of Gifting.....	158
Purpose and Nature of the Gift Tax Law	158
The Gift Tax	159
Elements of a Gift	159
Direct and Indirect Gifts.....	159
Present and Future Gifts.....	159
Completed Transfers.....	160
Incomplete Gifts in Trust.....	162
Relationship of the Gift Tax System to the Estate Tax System	162
Cumulative and Progressive.....	163
Unified Credit	163
Marital and Charitable Deductions	164
Gift and Estate Tax Differences	164
Gift Tax Relationship to Income Taxes	165
Determining the Basis of Gifted Property	166
Gift Tax Paid.....	167
Chapter Highlights.....	169
Key Terms	170
Review Questions.....	170
Chapter 11: Gift Tax Calculation	173
Overview	175
Valuation of Gifts.....	175
Steps to Calculate Taxable Gifts	176
Is This Transfer a Gift?	176
Exempt Gifts.....	177
Gift Splitting.....	177
Annual Exclusion	178
Future-interest Gifts	179
Marital and Charitable Deductions	181
Unlimited Marital Deduction	181
Non-citizen Spouse	182
Terminable Interest Property	183
Terminable Interest Property Exceptions.....	184
Estate Tax Implications.....	185
Charitable Deduction.....	186

Computing Taxable Gifts.....	186
Computing Gift Tax Payable.....	188
Step 1: Compute Tax on All Taxable Gifts.....	189
Step 2: Compute Previous Years' Taxable Gifts	189
Step 3: Compute Current Tentative Tax	189
Step 4: Gift Tax Credit Remaining	189
Step 5: Gift Tax Payable	190
The Gift Tax	190
Cumulative and Progressive.....	190
Estate Tax Implications.....	191
Filing a Gift Tax Return	191
Payment of Gift Taxes.....	191
Net Gift	192
Chapter Highlights.....	193
Key Terms	193
Review Questions.....	194
Chapter 12: Gifts to Minors.....	197
Overview	199
Advantages of Gifting to Minors	199
Estate Tax Advantage	199
Gift Tax Advantage	199
Generation-skipping Transfer Tax Advantage	200
529 Plan Advantage	200
Income Tax Advantage	201
Disadvantages of Gifting to Minors	201
Code Section 2503(b) Trust.....	202
Code Section 2503(c) Trust	203
Uniform Gifts/Transfers to Minors Acts	204
UGMA and UTMA Custodial Accounts	204
Kiddie Tax Rules.....	207
Kiddie Tax Calculation	207
Earned Income.....	208
Income Shifting Techniques.....	209
Chapter Highlights.....	210
Key Terms	211
Review Questions.....	211
Chapter 13: The Gross Estate	213
Overview	215
The Gross Estate	215
Fair Market Value.....	215
Alternate Valuation Date.....	215
Property Owned Outright (I.R.C. §2033)	217
Tangible Property	217
Intangible Property	217
Income in Respect of a Decedent	218
Pension Benefits.....	219
Annuities (I.R.C. §2039).....	219
Life Insurance (I.R.C. §2042).....	220

General Power of Appointment (I.R.C. §2041).....	221
Trusts	222
Revocable Trust.....	222
Irrevocable Trust.....	222
Jointly Owned Property (I.R.C. §2040).....	222
Tenancy by the Entirety	222
Community Property.....	223
Dower and Curtesy (I.R.C. §2034)	223
Joint Tenancy with Right of Survivorship (JTWROS) with Spouses	223
JTWROS with Nonspouses	224
Joint Bank Accounts	224
Tenancy in Common	224
Transfers with Retained Property Interests	225
Life Estate (I.R.C. §2036).....	225
Reversionary Interest (I.R.C. §2037)	226
Revocable Gifts (I.R.C. §2038).....	227
Property Transferred within Three Years of Death (I.R.C. §2035).....	227
The Three-year Rule.....	228
The Gross-up Rule.....	230
Chapter Highlights.....	231
Key Terms	232
Review Questions.....	232
Appendix 13A: Federal Estate Tax Calculation	234
Chapter 14: Estate Tax Calculation.....	235
Overview	237
The Gross Estate	238
Determining the Adjusted Gross Estate.....	238
Funeral Expenses.....	238
Administrative Expenses	238
Debts, Mortgages, and Liens	239
Taxes	240
Casualty and Theft Losses	240
Determining the Taxable Estate.....	240
Marital Deduction	241
Charitable Deduction.....	241
State Death Tax Deduction.....	241
Determining the Tentative Tax Base	242
Computing the Tentative Tax.....	243
Gift Taxes Paid or Payable	244
Determining Federal Estate Tax Payable	244
The Unified Credit.....	245
Other Tax Credits.....	246
Estate Tax Calculations	247
Example 1: Estate with No Lifetime Taxable Gifts	247
Example 2: Estate with Lifetime Taxable Gifts.....	248
Example 3: Gross-up Rule	249
Example 4: Transfer under I.R.C. §2036	250
Filing an Estate Tax Return	251
Payment of the Tax.....	252

Chapter Highlights.....	253
Key Terms	254
Review Questions.....	254
Chapter 15: The Marital Deduction	257
Overview	259
Marital Deduction Qualifications.....	259
Estate Tax Marital Deduction	259
When a Marital Deduction Is Available	260
Jointly Owned Property	261
Survivorship Benefits.....	261
Life Insurance Owner/Insured	262
Policy Owner Is Not the Insured.....	262
When a Marital Deduction Is Not Available	262
Terminable Interest Property	263
QTIP Exception.....	263
General Power of Appointment Exception	264
Other Terminable Interest Property Exceptions.....	265
Non-citizen Spouse	265
Qualified Disclaimer	267
Requirements	267
Disclaimer Trust.....	268
Strategies Using a Qualified Disclaimer	268
Disclaimer Planning for Spouses	269
Chapter Highlights.....	271
Key Terms	271
Review Questions.....	272
Chapter 16: Marital Trusts	275
Overview	277
The Unified Credit.....	277
The Bypass Trust.....	278
Bypass Trust and the Marital Deduction	280
Marital Trusts	281
Marital Trust with a General Power of Appointment	281
QTIP Trust	283
Estate Marital Trust	284
Portability	285
Drawbacks of Portability.....	286
Marital Planning Techniques	287
Estate Equalization.....	287
Bypass Trust with Estate Equalization	288
Bypass Planning versus Portability	289
Chapter Highlights.....	292
Key Terms	293
Review Questions.....	294

Chapter 17: Charitable Transfers	297
Overview	299
What Is a Charity?	299
Public Charities.....	300
Private Foundations.....	300
Tax Considerations of Charitable Gifts	301
Income Taxation of Charitable Gifts	301
Charitable Transfers at Death	303
Charitable Techniques.....	304
Direct Gifts to Charity.....	304
Qualified Charitable Distributions (QCDs).....	304
Donor-advised Funds	305
Private Foundations.....	306
Split-interest Charitable Transfers.....	306
Charitable Remainder Trusts.....	307
Charitable Lead Trusts.....	311
Pooled Income Funds	312
Charitable Gift Annuities	312
Charitable Remainders	313
Chapter Highlights.....	314
Key Terms	315
Review Questions.....	315
Chapter 18: State Death Tax Deduction	319
Overview	321
History	321
State Estate Tax Considerations.....	322
Sponge Tax States	323
State Estate Tax	323
Inheritance Tax.....	324
State QTIP Planning.....	325
Chapter Highlights.....	327
Key Terms	327
Review Questions.....	327
Chapter 19: Generation-Skipping Transfer Tax	329
Overview	331
GST Planning Considerations.....	331
Generation Assignment.....	332
Skip Persons	333
Direct Skips.....	334
GST Taxes for Lifetime Direct Skips	335
Calculating the GST Tax for Lifetime Transfers	337
Allocation of the GST Exemption	339
Calculating the GST Tax for Transfers at Death.....	340
Payment of the GST Tax for Direct Skips.....	340
Indirect Skips.....	341
Taxable Distributions	342
Taxable Termination.....	342

Multigenerational Planning.....	344
Reverse QTIP Election	345
Chapter Highlights.....	346
Key Terms	347
Review Questions.....	347
Chapter 20: Powers of Appointment.....	349
Overview	351
Powers of Appointment	351
General Powers of Appointment	352
Tax Implications for the Holder of a General POA	352
Special or Limited Powers of Appointment	354
Ascertainable Standard.....	354
5-and-5 Powers	355
Gift Tax.....	355
Crummey Powers.....	356
Crummey Notice	357
Crummey Withdrawal Amounts	357
Crummey Lapses.....	358
Solving the Excess Lapse Problem.....	361
Chapter Highlights.....	363
Key Terms	363
Review Questions.....	364
Chapter 21: Life Insurance Planning.....	367
Overview	369
Life Insurance Needs	369
Types of Policies for Individuals	370
Term Insurance	370
Permanent Insurance	371
Whole-life Insurance	371
Universal Life Insurance	372
Variable Life Insurance	372
Survivorship Life Insurance	373
Parties to a Life Insurance Policy	374
Incidents of Ownership	374
Life Insurance Policy Valuations	374
Estate and Probate Consequences of Ownership	375
Owner-insured.....	375
Owner Is Not the Insured	377
Three-year Rule	378
Gift Taxation for Policies Transferred to Individuals	379
Calculating the Taxable Gift.....	380
Chapter Highlights.....	382
Key Terms	383
Review Questions.....	383

Chapter 22: Irrevocable Life Insurance Trusts	385
Overview	387
Estate Liquidity.....	387
Sources for Estate Liquidity	388
Irrevocable Life Insurance Trust.....	388
Advantages of an ILIT	388
Disadvantages of an ILIT	389
Types of ILITs	389
Funded ILIT	389
Unfunded ILIT	390
Gift Tax Considerations	390
Gift Splitting.....	391
Annual Exclusions and the Crummey Powers	391
Crummey Not Limited to 5-and-5	392
Estate Tax Considerations	393
Avoiding the Three-Year Rule	393
Grantor as Trustee	394
Income Tax Considerations.....	394
Spouse as Beneficiary of an ILIT	394
Gift Tax.....	394
Estate Tax-Surviving Spouse	395
Estate Tax Exceptions.....	395
Estate Tax –Decedent Spouse.....	395
Credit Shelter Trust Buys a Life Insurance Policy on the Surviving Spouse’s Life	395
Dynasty Trusts	396
Avoiding GST Tax.....	396
Estate Tax	396
Chapter Highlights.....	397
Key Terms	398
Review Questions.....	398
Chapter 23: Estate Planning with Retirement Benefits	401
Overview	403
Income Taxation of Retirement Plan Benefits.....	403
Beneficiary Designations	405
Surviving Spouse as Beneficiary	406
Non-spousal Beneficiary	407
Estate as Beneficiary.....	408
Trust as Beneficiary	409
Bypass Planning with Retirement Assets.....	410
Charitable Planning with Retirement Assets	441
Chapter Highlights	412
Key Terms	413
Review Questions.....	413
Chapter 24: Estate Freeze Strategies	415
Overview	417
I.R.C. Chapter 14 Requirements	417
Section 2701 Preferred Stock Recapitalization	418
Grantor Retained Income Trusts (GRITs).....	419

Advantages of a GRIT	420
Qualified Transfers in Trust	421
GRATS and GRUTs	421
The Income Term	422
Qualified Annuity Interests	423
Zeroed-out GRAT	423
Qualified Unitrust Interests	424
Personal Residence Trusts (PRTs).....	424
Qualified Personal Residence Trusts (QPRTs).....	425
Advantages of GRATs, GRUTs, and QPRTS.....	426
Disadvantages of GRATs, GRUTs, and QPRTS.....	426
Chapter Highlights.....	427
Key Terms	428
Review Questions.....	429
Chapter 25: Intra-family and Other Business Transfer Techniques.....	431
Overview	433
Installment Sales.....	433
Income Tax Consequences	434
Gift Tax Consequences.....	435
Estate Tax Consequences.....	436
Self-cancelling Installment Notes.....	436
Tax Consequences of a SCIN	437
Private Annuities	427
Tax Consequences of the Private Annuity	440
Intra-family Loans.....	440
Tax Consequences of Intra-family Loans	441
Bargain Sales	442
Sale- or Gift-leaseback.....	443
Tax Consequences of the Gift- or Sale-leaseback.....	443
Intentionally Defective Grantor Trusts.....	444
Tax Consequences of IDGTs.....	446
Chapter Highlights.....	446
Key Terms	447
Review Questions.....	448
Chapter 26: Family Limited Partnerships and Limited Liability Companies.....	451
Overview	453
Family Limited Partnerships	453
General and Limited Partners	453
Benefits of an FLP	455
Valuation Considerations	457
Minority Discounts	458
Marketability Discounts	459
Income, Gift, and Estate Tax Considerations	460
Limited Liability Companies (LLCs).....	462
LLCs Compared to FLPs	463
Income, Estate, and Gift Tax Considerations	463

Chapter Highlights.....	464
Key Terms	465
Review Questions.....	465
Chapter 27: Business Planning Strategies	467
Overview	469
Planning with Life Insurance.....	469
Key Person Life Insurance	469
Split-dollar Life Insurance.....	470
Salary Increase or Selective Pension Plan	471
Business Succession Planning.....	472
Business Continuation Agreements.....	473
Advantages of a Buy-sell Agreement	473
Establishing the Value of a Business.....	473
Stock Redemption Plan	474
Tax Implications of a Stock Redemption Plan.....	475
Cross-purchase Agreement.....	476
Hybrid Business Continuation Agreements.....	478
Business Continuation Plans for Partnerships.....	478
Postmortem Elections for Business Owners.....	479
Section 303 Stock Redemption.....	479
Qualifications for Section 303 Redemption	480
Installment Payment of Estate Taxes	481
Qualifications for Code Section 6166.....	482
Special Use Valuation.....	483
Qualifications for Code Section 2032A.....	483
Chapter Highlights.....	485
Key Terms	486
Review Questions.....	486
Chapter 28: Estate Planning for Non-traditional Relationships	489
Overview	491
Estate Planning for Unmarried Partners.....	491
Components of a Comprehensive Estate Plan.....	492
Legal Documents.....	493
Wills.....	493
Durable Powers of Attorney	494
Domestic Partnership Agreements	494
Property Interests	495
Joint Tenancy with Right of Survivorship	495
Tenancy in Common	496
Considerations of Home Ownership.....	497
TOD and POD Accounts	497
Gift Taxes	498
Liquidity Planning with Life Insurance	499
Trusts	500
Revocable Trusts.....	500
Bypass (Credit Shelter) Trusts	500
Split-interest Trusts	501
Terminating Relationships	502

Providing for Children	503
Divorce	503
Child Support	504
Meeting Support Obligations	504
Trusts	505
Adoption.....	505
Death of a Parent	506
Chapter Highlights.....	506
Key Terms	507
Review Questions.....	507
Chapter 29: The Intersection of Income and Estate Tax Planning.....	509
Overview	511
Structuring a Tax Efficient Legacy	511
Tax Efficient Income	511
Lifetime Gift Considerations	513
Gifts to Individuals	513
Making Gifts to Maximize Legacy.....	514
Life Insurance Planning.....	515
Less Concern for Making Taxable Gifts	515
Basis Considerations	516
GST Tax Considerations	517
Charitable Gifts.....	518
Planning at the First Spouse’s Death.....	520
Chapter Highlights.....	522
Key Terms	522
Review Questions.....	523
Chapter 30: Common Estate Planning Considerations.....	525
Overview	527
Estate Planning Considerations	527
Changes That Can Affect an Estate Plan.....	528
Record Keeping	529
Planning for Death	530
Wills.....	530
Testamentary and Revocable Trusts	531
Planning for Incapacity.....	532
Property Considerations.....	533
Sole Ownership.....	534
Jointly Held Property.....	534
Life Insurance.....	535
Life Insurance Policy Transfers	535
Minimizing Gift Taxes	536
Leveraged Gifts.....	537
The Downside of Gifting.....	538

Minimizing Estate Taxes.....	539
Trusts	539
Techniques for Individuals and Married Couples.....	539
Portability	541
Techniques for Business Owners.....	542
Chapter Highlights.....	543
Review Questions.....	543
Appendix A: Tax Rate Schedules	545
Appendix B: Valuation Tables	549
Glossary	583
Index	605
Answers to Review Questions	615

Learning Objectives

After studying the text, you should be able to meet the following learning objectives for this course:

Chapter 1 Introduction to Estate Planning

- Recognize the importance of estate planning and what it can accomplish.
- Identify the unauthorized practice of law.
- Identify the financial planning practitioner's role and responsibilities in the estate planning process.
- List fiduciary duties and identify the parties that would be subject to them.

Chapter 2 Property Interests

- Compare and contrast the most common forms of property ownership and how they affect the gross estate, the probate estate, marital deductions, and step-up in basis.
- Understand the implications of how property ownership affects the manner in which assets will be distributed at a decedent's death.

Chapter 3 Community Property

- Identify the types of property that are community property interests and those that are not.
- Understand the implications of moving from a community property state to a non-community property state and vice versa.

Chapter 4 Methods of Property Transfer at Death

- Understand the characteristics and consequences of using alternative methods of transferring property at death, including contracts, trusts, and property passing by operation of law.
- Select the most appropriate property transfer mechanism for a client's situation.

Chapter 5 The Probate Process

- Understand the probate process, its advantages, disadvantages, and costs.
- Know the various ways to avoid probate.
- Recognize the implications of ancillary probate.

Chapter 6 Wills

- Identify the types of wills and the manner in which assets will pass per the terms of a will.

- Understand the legal requirements of a will.
- Understand the manner in which a will can be modified or revoked.

Chapter 7 Incapacity Planning

- Identify the different documents that provide for incapacity planning.
- Compare the different types of powers of attorney.
- Know the provisions that should be contained in a power of attorney.
- Recognize the importance of coordinating special needs trust planning with available government benefits.
- Understand the need to coordinate Medicaid planning with state law.

Chapter 8 Trusts

- Define and describe the uses of the four types of trusts, including revocable, irrevocable, inter-vivos, and testamentary.
- Know the basic components of trusts, including identifying the parties to a trust.
- Identify and explain the operating terms of a trust and the dispositive provisions of a trust.

Chapter 9 Income Taxation of Trusts, Estates, and Beneficiaries

- Recognize the income tax consequences of simple versus complex trusts.
- Identify a grantor trust.
- Describe the tax consequences for both the decedent and heir/beneficiary for income included in a decedent's gross estate and/or final income tax return.
- Calculate the IRD deduction for one or more sources.

Chapter 10 Gifting Strategies

- Recognize the tax and non-tax advantages of gifting.
- Identify the best property interests to gift, according to a client's objectives.
- Know the purpose and nature of the gift tax law.
- Recognize when a completed transfer has occurred.

Chapter 11 Gift Tax Calculation

- Identify exempt gifts.
- Calculate taxable gifts.
- Calculate the current year's gift tax liability.

- Calculate the amount of unified credit that remains after a taxable gift is made.
- Recognize that taxable gifts are reported as adjusted taxable gifts on the estate tax return.

Chapter 12 Gifts to Minors

- Know the tax advantages of making lifetime gifts to minors.
- Understand the similarities and differences between a UGMA account and a UTMA account.
- Identify the income tax-shifting strategies available for families.

Chapter 13 The Gross Estate

- Know property included in a decedent's estate.
- Identify which separately owned property interests are included in a decedent's gross estate.

Chapter 14 Estate Tax Calculation

- Identify which deductions may be taken from the gross estate.
- Determine which credits are available to a decedent to reduce the estate tax.
- Demonstrate how to compute an estate tax for different client situations.

Chapter 15 The Marital Deduction

- Understand the appropriate use of the marital deduction for estate planning purposes.
- Define the requirements for a qualified transfer.
- Determine the amount of a marital deduction for all property interests included in a decedent spouse's estate.
- Know the requirements of a qualified domestic trust.

Chapter 16 Marital Trusts

- Describe the tax and nontax characteristics of the bypass trust.
- Evaluate when a particular marital trust should be used to meet clients' estate planning objectives.
- Know the relationship between the marital deduction and the qualified terminable interest property trust.
- Determine when estate equalization should be used to minimize tax on a couple's combined estates.

- Know the benefits and disadvantages of portability.

Chapter 17 Charitable Transfers

- Know the income, gift, and estate tax consequences of charitable transfers.
- Identify and select the various charitable transfer vehicles that are appropriate for a client based on current and future income needs and tax advantages.
- Understand the differences between charitable remainder trusts and a charitable lead trust.

Chapter 18 State Death Tax Deduction

- Understand the difference between the state death tax deduction and the state death tax credit.
- Know the differences between a sponge tax, inheritance tax, and estate tax at the state level.

Chapter 19 Generation-Skipping Transfer Tax

- Identify the circumstances that trigger the generation-skipping transfer (GST) tax.
- Know when an annual exclusion applies to a gift made to a skip person or a skip person trust.
- Recognize how the GST exemption is allocated to different transfers to reduce or eliminate the GST tax.
- Calculate the federal GST tax on a lifetime gift and on a bequest.

Chapter 20 Powers of Appointment

- Distinguish general powers of appointments from special powers.
- Understand the gift and estate tax implications of powers of appointment.
- Understand how Crummey powers affect gift and estate taxes for grantors and trust beneficiaries.

Chapter 21 Life Insurance Planning

- Identify the most appropriate types of insurance policies to meet specific client objectives.
- Evaluate the estate, probate, and gift tax consequences of owning and transferring a life insurance policy.

Chapter 22 Irrevocable Life Insurance Trusts

- Know and contrast the characteristics and tax aspects of a funded ILIT with an unfunded ILIT.

- Recognize the advantages and tax implications of dynasty trusts.

Chapter 23 Estate Planning with Retirement Benefits

- Understand the distribution options available to different classes of beneficiaries of retirement plans.
- Recognize the income tax implications that a beneficiary faces upon receiving retirement plan assets.

Chapter 24 Estate Freeze Strategies

- Know when and how to apply the preferred stock recapitalization technique.
- Recognize the circumstances when a qualified interest trust is appropriate for clients.
- Evaluate the gift and estate tax ramifications of using GRITs, GRATs, GRUTs, and QPRTs.

Chapter 25 Intra-family and Other Business Transfer Techniques

- Compare and contrast the different types of business transfer techniques.
- Know the gift and estate tax implications of each business transfer technique.
- Recommend appropriate business transfer techniques such as installment sales, private annuities, SCINs,

Chapter 26 Gift and Sale Leasebacks, or IDGTs.

- Family Limited Partnerships and Limited Liability Companies
- Evaluate how family limited partnerships and limited liability companies might apply to a client's situation.
- Understand gift and estate tax implications for FLPs and LLCs.

Chapter 27 Business Planning Strategies

- Identify the different types of insurance policies and ownership arrangements available to business owners and employees.
- Know the considerations involved in business succession planning.
- Understand the purpose and structure of business continuation agreements.
- Identify the various types of postmortem planning techniques available to business owners and recognize when they can be implemented.

Chapter 28 Estate Planning for Non-traditional Relationships

- Identify the impact of divorce and/or remarriage on an estate plan, including asset titling and distribution, changes in beneficiary status, and selection of heirs.

- Know how asset ownership, tax laws, and government policies affect estate planning for same-sex or unmarried couples.
- Identify the legal documents, agreements, and trusts that benefit individuals in non-traditional relationships.

Chapter 29 The Intersection of Income and Estate Planning

- Describe client considerations for structuring a tax-efficient legacy.
- Compare the advantages and disadvantages of lifetime gifts to individuals and charity.
- Identify the income tax effects of property gifted or bequeathed to individuals, trusts and charity.
- Evaluate the income tax implications of portability; bypass trust planning and qualified disclaimers.

Chapter 30 Common Estate Planning Considerations

- Identify the types of trusts, techniques, and deductions that reduce the estate tax base.