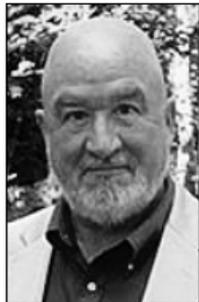


Financially Speaking...

by Michael L Nickerson, CPA, MSFP

**NICKERSON PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS**

TAKING ADVANTAGE OF THE INCREASED GIFT TAX EXEMPTION AMOUNT: PART I



If you are financially secure and reasonably confident of your ability to maintain your standard of living indefinitely, you should consider taking advantage of the increased gift tax exemption amount and possibly the GST tax exemption amount by making gifts to children and/or grandchildren either outright or to new or existing trusts. You may also want to consider leveraging your gift and GST tax exemption amounts by making intra-family loans, sales to grantor trusts, or by utilizing other techniques, such as grantor retained annuity trusts (GRATs) and split-interest charitable trusts. These techniques typically work better in times such as these when interest rates are low, so it may be advantageous to act in the near future before interest rates rise further.

If you are married and interested in making a substantial gift to lock in estate tax savings, but are concerned about your ability to maintain your standard of living into the foreseeable future, you may want to consider the possibility of making a gift to a "lifetime credit shelter trust" for the benefit of your spouse (and possibly children). Traditionally, a credit shelter trust is created under a Will or Revocable Trust to shelter the estate tax exemption amount of the first spouse to die from estate taxes in the surviving spouse's estate. A lifetime credit shelter trust is simply a credit shelter trust created during lifetime, rather than at death. The trust could allow very broad control to your spouse, but would not be included in your spouse's estate for estate tax purposes, and could also have the incidental advantage of providing creditor protection to you and your spouse.

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