

SYLVESTER LAW FIRM ONE PAGER (2/2009)

Did You Know...?

- ◆ The 2009 annual gift tax exemption is \$13,000 per donee.
- ◆ The 2009 *federal* estate tax "exemption equivalent" amount is \$3.5 million. The 2009 Illinois *state* estate tax "exemption equivalent" amount is \$2 million. It is quite likely that many of your married clients have wills or trusts that direct the funding of an estate tax exemption trust ("trust B") upon the first spouse's death in an amount equal to the federal exemption. The significant difference between the amounts of the federal and state exemptions can accidentally trigger *state* estate tax upon the first spouse to die -- unless proper plans are in place. Here's how: H and W are married. H's revocable trust says that upon his death, an amount equal to his then applicable *federal* estate tax exemption should be transferred to an exemption trust ("trust B"), and the balance should be transferred to a marital trust ("trust A") for the benefit of W. The amounts transferred to the marital trust ("trust A") qualify for the marital deduction. All amounts transferred to the exemption trust ("trust B") that exceed the *state* exemption (i.e., \$1.5 million in this example) are subject to *state* estate tax, because such amounts do not qualify for the marital deduction. In this example, approximately \$124,500 (based on a marginal rate of 8.3%) will be due and owing to the State of Illinois within 9 months after H's death. Oops! Ouch! Please encourage your clients to have their documents reviewed by their estate attorneys *without delay*. Do not assume that your clients' attorneys will take the initiative to contact your clients about the possible need for adjustments to their estate planning documents.
- ◆ If a person creates a revocable living trust and serves as trustee, but later resigns so that the successor trustee (often an adult son, daughter or trust company) can serve, the trust can and should still use the grantor's social security number. An EIN is NOT required (*contrary to what many bank legal departments think, at least until they are made aware of IRS Publication 1635 and 26 CFR 1.671-4*). Never hesitate to call me if you have questions regarding when a separate tax ID number is required for a bank account, investment portfolio, etc. Also, if you have a client who is dealing with a bank that is requiring a separate tax ID number when such a number is not required, I'd be happy to share an opinion letter that I previously wrote for a client.

Business Development Tid-bits

- ◆ When you reach the point in your discussions with prospects where you must disclose a fact that *might be perceived* as negative, describe something more extreme in the preceding sentence. Your prospect will then *perceive* the information you disclose as more reasonable. Following is an example that applies to my day-to-day practice, and perhaps yours, too. **Wrong Way:** "Mr. Smith, I can prepare your estate plan for \$4,500." Mr. Smith, in shock, thinks, "\$4,500! That's half the amount I paid for my first house!" **Right Way:** "Mr. Smith, this estate plan will save your family \$187,200 in federal estate tax. I can prepare this plan for you and your family for only \$4,500." Now Mr. Smith thinks, "That fee is not much at all compared to the amount of taxes my family will save. What a bargain!" You can, and should, apply this principle whether your primary focus is financial planning, insurance planning and sales, accountancy, and tax planning.
- ◆ When you prepare a marketing ad, whether it's for a newspaper, television or radio, you should address the following 7 subjects: (i) choose the publication most likely to reach the highest concentration of your target prospects (*obvious, but often overlooked*); (ii) decide what you want your ad to do (*e.g., offer services; increase attendance at a seminar; etc.*); (iii) decide the action you want your prospect to take (*e.g., call you; go to your web site; register for your free seminar; call you for a free information packet; etc.*); (iv) decide how much information you need in your ad to motivate prospects to act; (v) write your ad using words that motivate prospects to respond; (vi) choose graphic elements that will draw your prospects' eyes to your ad; and (vii) create the finished ad and test it to see how well it performs. A basic ad that lists your services and location will most likely be a complete waste of money.

Recommended Product and/or Resource

- ◆ JoS. A. Bank suits. When on sale, as they frequently are, they are a great buy. I also recommend JoS. A. Bank signature collection ties. When shopping for ties, search for *seven fold ties*, which are the Rolls Royce of neckties.

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