

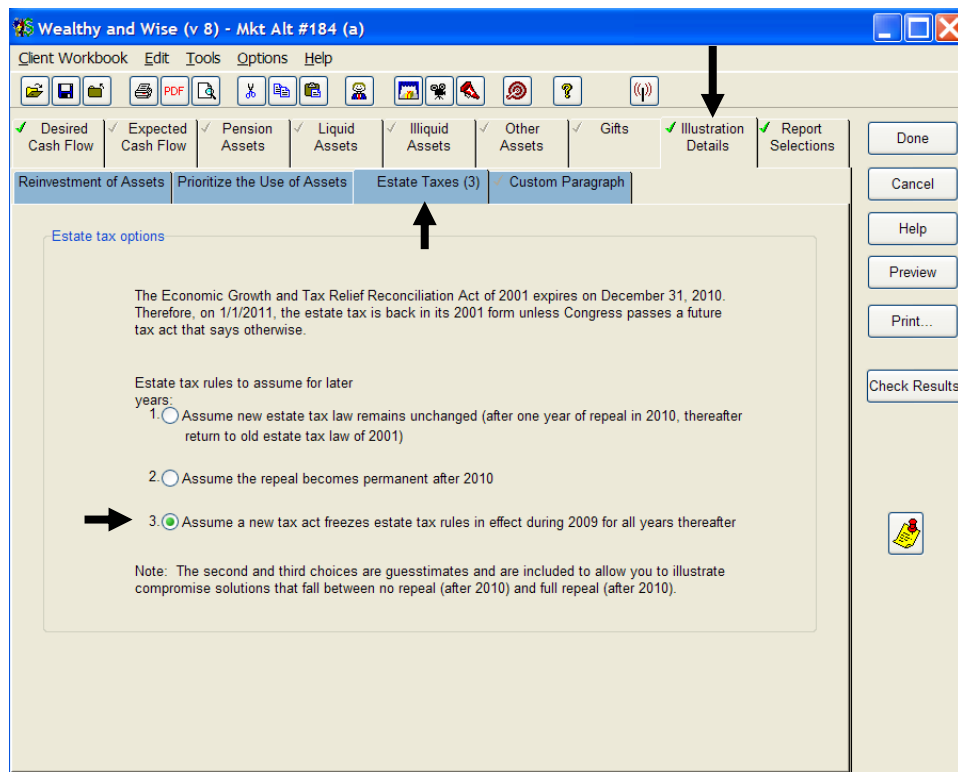


What's Going On With Estate Taxes?

By: Robert B. Ritter, Jr.
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It looks as though the Senate's likely compromise on estate tax repeal may well be, starting in 2010, a continuation of the 2009 exemption which is scheduled to be \$3.5 million (\$7.0 million for a couple) with the excess taxed at 45%. While it is still anybody's guess what our dysfunctional Congress will do in this regard, in anticipation of this potential change, we have coded this option in Wealthy and Wise, our retirement, estate and charitable planning system, so our users can demonstrate the effect of this distinct possibility now.

Our Wealthy and Wise licensees can find this calculation option under the Illustration Details tab (and Estate Taxes sub-tab), as shown below:



For those Wealthy and Wise licensees wishing to demonstrate this alternative to a client, consider preparing Scenario #1 with the #1 Estate Tax selection and use the #3 Estate Tax selection for Scenario #2. Below are the results of a 40-year analysis of the two different tax consequences. (Warren and Nancy Bigelow are ages 55 and 50. Their current Net Worth is a little over \$7.7 million.) The following figures start in 2006 and all values are after the Bigelows have withdrawn their designated amount of desired retirement cash flow.

Strategy 1: Taxes Revert in 2011 to 2000 Rules;

Strategy 2: Current Rules apply through 2009; thereafter 2009 rules apply.

Wealth to Heirs	
Strategy 1 Taxes Revert in 2011 to 2000 Rules	Strategy 2 2009 Tax Rules Continue Thereafter
6,011,171	6,011,171
6,325,307	6,325,307
6,631,547	6,631,547
8,300,341	8,300,341
9,995,288	8,647,408
5,986,940	8,933,482
6,237,638	9,244,877
6,483,464	9,582,889
6,749,791	9,949,088
7,037,946	10,345,301
7,359,908	10,787,998
7,706,974	11,265,214
8,080,983	11,779,476
8,483,953	12,333,560
8,918,086	12,930,493
9,424,171	13,573,564
9,990,995	14,266,349
10,601,657	15,012,715
11,259,582	15,816,844
11,968,938	16,683,835
12,531,801	17,371,778
13,125,741	18,097,705
13,752,822	18,864,137
14,415,209	19,673,723
15,115,185	20,529,248
15,855,159	21,433,661
16,637,691	22,390,088
17,465,497	23,401,852
18,341,476	24,472,493
19,268,714	25,605,784
20,250,502	26,805,747
21,290,357	28,076,680
22,392,031	29,423,171
23,559,537	30,850,124
24,797,163	32,362,777
26,109,495	33,966,738
27,501,435	35,667,998
28,978,232	37,472,972
30,545,497	39,388,519
32,209,241	41,421,984

Many wealthy clients are adopting a “wait and see” approach to wealth preservation planning. With the recent stalemate in Congress, the above approach may help convince them that in all likelihood, wealth transfer taxes are, at some level, not only here to stay, but deserve planning attention now.

For those Wealthy and Wise licensees who would like to review the data behind the table on Page 2, an electronic System Workbook named "MktAlt184.!WW" is available on our website. The Workbook can be downloaded from the Technical Support section of our website at www.insmark.com. Click on Producers Center, then on the Workbook Download icon at the top of the next page. Then click on the Marketing Alert icon and look for the Workbook listed under Marketing Alert #184. (Note: The columns on Page 2 were extracted from the Comparison Report named "Numerical Comparison of Alternatives" available in the Workbook noted above.)

If you are not licensed for Wealthy and Wise and would like more information, call an InsMark Account Executive at the number noted above. For information about corporate accounts, call David A. Grant, Senior Vice President - Sales, at 1-925-543-0513.

As usual, I hope this information is useful to you.

Sincerely yours,



Robert B. Ritter, Jr.
Chairman/CEO

P.S. #1: Not to be outdone, House Ways and Means Chair William M. Thomas, R-Calif., has just introduced legislation (H.R. 5638, the Permanent Estate Tax Relief Act of 2006) to take effect January 1, 2010, that would reunify the estate, gift, and generation-skipping transfer taxes and, among other goodies, increase the exemption to \$5 million (\$10 million for a married couple). Given the problems that estate tax reduction has had in the Senate, I wouldn't put too much hope in this new approach by Chairman Thomas; however, the specifics of the plan are less important than the fact that the House, for the first time, will try to move forward with less than full repeal.

P.S. #2: If you are interested in learning about our one-day, Hands-On seminar on the many uses of Wealthy and Wise, call an InsMark Account Executive at 1-888-InsMark (467-6275).

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