

**ESTATE PLANNING FOR FINANCIAL PLANNERS
5TH EDITION UPDATES**

CHAPTER 5 PAGE 134 AND 135

Example 5.26 (1st Paragraph)

Harry and Wendy transfer \$78,000 to an irrevocable trust and name their three children, Adam, Billy, and Christopher, as beneficiaries. The trust provisions include a right to withdraw an amount equal to one-third of any contribution for 30 days for each beneficiary up to the annual exclusion limit for both spouses (\$26,000 for 2009). After 30 days, Adam has allowed his power to withdraw \$26,000 to lapse. Allowing the power to withdraw \$26,000 to lapse violates the 5/5 Lapse Rule because \$26,000 exceeds \$5,000. In this case the lapse of the power to withdraw \$26,000 also exceeds 5% of the value of the assets of the trust, or \$3,900 (5% of \$78,000).

CHAPTER 14 PAGE 524

Comprehensive Case Example, Question 5 - Corrected Answer

Gross Estate		\$10,829,929
Less Deductions:		
Last Medical/Funeral	(\$250,000)	
Administrative Costs	(\$200,000)	
Debts	(\$657,751)	
Losses During Estate Administration	\$0	<u>(\$1,107,751)</u>
Equals: Adjusted Gross Estate		\$9,722,178
Less: Charitable Deduction	(\$233,047)	
Less: Marital Deduction	(\$8,084,749)	<u>(\$8,317,796)</u>
Equals: Taxable Estate		\$1,404,382
Add: Previous Taxable Gifts (post-1976)		<u>\$4,087,600</u>
Equals: Tentative Tax Base		<u>\$5,491,982</u>
Tentative Tax [$\$1,455,800 + (0.45 \times \$1,991,982)$]		<u>\$2,352,192</u>
Less: Credits		
Previous Gift Tax Paid	(\$1,374,420)	
Applicable Estate Tax Credit	(\$1,455,800)	
State Death Tax Paid	\$0	
Prior Transfer Credit	\$0	
Foreign Death Tax Credit	\$0	
Total Tax Credit		(\$2,830,220)
Equals: Federal Estate Tax Liability (Refund)		<u>(\$478,028)</u>