



"Giving" Advice



**TOLEDO COMMUNITY
FOUNDATION**
608 MADISON AVE
SUITE 1540
TOLEDO, OHIO 43604-
1151

419-241-5049
[TCF "GIVING" ADVICE
NEWSLETTER](#)

ABOUT YOUR FOUNDATION

Since 1973, the **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors transform their philanthropic

[<Back to Front Page](#)

[Forward this Article>](#)

[Print This Article](#)

Death and (Less) Taxes

"In this world nothing can be said to be certain, except death and taxes." Unfortunately, Benjamin Franklin's stark realization had for long gone unchallenged—until trusts came along. These entities serve as powerful allies to families concerned about relinquishing their assets to the IRS instead of to future generations. Estate planners can use trusts to reduce estate taxes, ease the burdens of incapable or incapacitated heirs, enable charitable legacies, and safeguard family heirlooms or valuable collection such as art or automobiles.

Flexible Tools

Trusts are extremely flexible and able to be tailored to a client's specific needs. "How you use a trust depends on the situation, and every situation is unique," says Gregory D. Hyde, an estate and tax attorney with the firm of Feld, Hyde, Wertheimer, Bryant & Stone, PC, in Birmingham, Ala. "The greater your net worth, the odds are better that you need one," he notes.

But trusts aren't exclusive to the domain of great wealth. A client worried about a beneficiary's ability to handle money responsibly can set up a small trust or a trust with limitations on its use. "Trusts can work in many different situations," Hyde says.

How to Use a Trust

In estate plans, an estate planner may employ a trust to facilitate philanthropic giving or to maintain family wealth. However, they are typically put to work to reduce or eliminate estate taxes. Under federal law, no tax currently applies to the inheritance of an estate up to \$2 million. That figure advances to \$3.5 million in 2009. For individuals whose net worth exceeds those levels, trusts can mitigate the tax burden. "If your net worth exceeds the exemption level, then it's essential to have a trust for estate planning purposes," Hyde says.

One of the most common means of addressing this tax crunch is to

impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

create a bypass trust, which married couples typically use to give their heirs the benefit of the estate tax exemption available to both spouses. For example, if a couple each owns assets worth \$2 million and no bypass trust is in place, the surviving spouse would inherit the decedent's \$2 million free of tax, creating an estate worth \$4 million. However, the estate of the survivor could be reduced only by the survivor's \$2 million exemption (using 2008 rates), leaving \$2 million subject to tax. Planning to avoid this result typically involves the creation of a revocable living trust naming both spouses as beneficiaries. Upon the death of the first spouse, the trust instrument establishes a separate, irrevocable bypass trust naming the surviving spouse as the life beneficiary and the couple's children as the remainder interests. The bypass trust is funded up to the amount of the deceased spouse's estate tax exemption, allowing the children to benefit from an exemption that would otherwise have been lost.

An irrevocable life insurance trust can also be a useful estate planning tool. Typically, the trustee purchases a policy that names the insured's children or grandchildren as beneficiaries. The insured then uses his or her annual gift tax exclusions to make tax-free gifts to the trust to pay the policy premiums. Upon the death of the insured, the policy proceeds pass to the children or grandchildren free of estate tax.

Funding Charitable Causes

While trusts can be useful in passing down or preserving family wealth, they can also be particularly efficient at leveraging the tax benefits of charitable gifts. One such strategy involves charitable remainder trusts. With this instrument, a donor places assets in a trust. During the lifetime of the donor and his or her spouse, they receive a regular stream of cash from the trust assets. Upon the death of both individuals, the remaining assets in the trust go to the donor's designated charity without an estate tax penalty.

Another possibility is a charitable lead trust, in which a donor creates a trust that makes payments to a charitable organization for a specified period. When the term ends, the assets go to the donor-designated recipient. Lead trusts are particularly useful for assets that the donor expects to grow significantly in value because gift tax is fixed and paid when the trust is funded. When the trust terminates, the donor's heirs benefit by receiving the appreciated value of the trust assets free from tax.

Because of trusts' complexity and the ever-changing nature of tax regulations, however, using them requires assistance from a specialist who regularly works with estates, taxes, and trusts. For clients considering creating an estate plan and using a trust in it, Hyde suggests talking with an expert. "Even when clients know what they want to achieve, they need ideas and advice in order to figure out how to reach those goals," he says.

[<Back to Front Page](#)

[Unsubscribe to this e-newsletter.](#)

This email was sent to you by a community foundation affiliated with the Council on Foundations (COF). If you are not an intended recipient of this e-mail, please notify the sender and then delete it. COF policy bars the use of bulk mail lists. If you believe you received this email outside of these policies, please let us know at privacy@nmatpublisher.com. [Technical support](#) is available if you are having problems with this email.

This information is provided as a service to you. Product references are not intended as a solicitation, but rather, to provide information and address issues raised. Unless otherwise indicated, all service marks are the property of COF. Copyright 2008 Council on Foundations. All rights reserved.

POWERED BY 