

MARITAL DEDUCTION PLANNING**What Is the Marital Deduction?**

The marital deduction (I.R.C. Sections 2056 and 2523) **eliminates** both the federal estate and gift tax on transfers of property between spouses, in effect treating them as one economic unit. The amount of property that can be transferred between them is **unlimited**, meaning that a spouse can transfer all of his or her property to the other spouse, during lifetime or at death, and completely escape any federal estate or gift tax on this first transfer. However, property transferred in excess of the unified credit equivalent will ultimately be subject to estate tax in the estate of the surviving spouse.

The 2010 Tax Relief Act, however, provided for "**portability**" of the maximum estate tax unified credit between spouses if death occurred in 2011 or 2012. The American Taxpayer Relief Act of 2012 subsequently made the portability provision permanent. This means that a surviving spouse can elect to take advantage of any unused portion of the estate tax unified credit of a deceased spouse (the equivalent of \$5,000,000 as adjusted for inflation; \$5,340,000 in 2014). As a result, with this election and careful estate planning, married couples can effectively shield up to \$10 million plus (as adjusted for inflation) from the federal estate and gift tax without use of marital deduction planning techniques. Property transferred to the surviving spouse in excess of the combined unified credit equivalent will be subject to estate tax in the estate of the surviving spouse.

If the surviving spouse is predeceased by more than one spouse, the additional exclusion amount available for use by the surviving spouse is equal to the lesser of \$5 million (\$5,340,000 in 2014 as adjusted for inflation) or the unused exclusion of the last deceased spouse.

What Requirements Apply to the Marital Deduction?

To qualify for the marital deduction, the decedent must have been married and either a citizen or resident of the U.S. at the time of death. In addition, the property interest (1) must be included in the decedent's gross estate, (2) must pass from the decedent to his or her surviving spouse and (3) cannot represent a terminable interest (property ownership that ends upon a specified event or after a predetermined period of time).

If you'd like more information on how to make best use of the marital deduction, please contact my office.

Brought to you by:



Donald J. Willer, FIC
Knights of Columbus
7979 Brittany Place
Howard City, MI 49329
Office: (231) 648-6221
donald.willer@kofc.org
www.donwiller.com

About our firm:

Thanks to the efforts of Father Michael J. McGivney, assistant pastor of St. Mary's Church in New Haven and some of his parishioners, the Connecticut state legislature on March 29, 1882, officially chartered the Knights of Columbus as a fraternal benefit society. The Order is still true to its founding principles of charity, unity and fraternity. The Knights were formed to render financial aid to members and their families. Mutual aid and assistance are offered to sick, disabled and needy members and their families. The Order has helped families obtain economic security and stability through its life insurance, annuity, Disability Insurance and long-term care programs, and has contributed time and energy worldwide to service in communities

QUOTES

from the Masters...

On Attitude

"You're as old as you behave."

-- *Harvey Mackay*

"Dream as if you'll live forever. Live as if you'll die today."

-- *James Dean*

"No life is so hard that you can't make it easier by the way you take it."

-- *Ellen Glasgow*

"It is our attitude at the beginning of a difficult task which, more than anything else, will affect its successful outcome."

-- *William James*

On Change/ Choice

"You cannot change your destination overnight, but you can change your direction overnight."

-- *Jim Rohn*

"In times of turbulence and rapid change, you must constantly be re-evaluating yourself relative to the new realities."

-- *Brian Tracy*

"Change brings opportunity."

-- *Nido Qubein*

MESSAGES

from the Masters...

THE DEFINITION OF WEALTH

by Brian Tracy

If you want to be wealthy, you must understand what wealth is. Here is the best definition of wealth you will ever find. Wealth is "Cash flow from other sources."

MAKE YOUR MONEY WORK FOR YOU

You are not wealthy just because you earn a lot of money. You are only wealthy when your money works for you. To become wealthy, your main job is to acquire money and then put it to work making more money for you.

ADD VALUE CONTINUALLY

The key to creating wealth is called "adding value." Successful people are always looking for ways to add value in some way to a person, a company, a product or a service.

DO IT FASTER

Here is an example of adding value: Domino's Pizza. The founders of Domino's Pizza took a common food, offered by thousands of little restaurants and added a value to the pizza by delivering it more rapidly than anyone else. The added value of speed enabled Domino's to create a billion dollar empire.

IMPROVE THE LIFE OR WORK OF OTHERS

Performing a service that enhances the life or work of another person adds value. A dentist who takes away pain is adding value. An accountant who saves a client money on taxes is adding or actually creating value. A salesperson who introduces a new product or service to a customer that helps that customer in some way is adding value. All financial success, especially business success, is based on adding value. It is based on the old saying, "Find a need and fill it."

COMBINE AND RECOMBINE THE ELEMENTS OF VALUE

All successful business is based on someone bringing together the factors of production and creating a product or service that a customer will pay a price for that is in excess of the cost of producing it.

HOW FORTUNES ARE MADE

Adding value is the way that all fortunes are made. Almost any business or occupation can make you financially independent if you can find a way to add enough value.

The purpose of this newsletter is to provide information of general interest to our clients, potential clients and other professionals. The information provided is general in nature and should not be considered complete information on any product or concept described.

For more complete information, please contact me (Office: (231) 648-6221).

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