



Conclusions: Meeting the Estate Tax Challenges

The Challenges

- How to shelter the maximum amount from federal estate tax (current exemption, \$3,500,000) and Washington estate tax (current exemption, \$2,000,000) without triggering a tax on the death of the first spouse.
- How to minimize estate taxes on the death of the surviving spouse, despite uncertainty about future law changes.
- How to make sure that adequate assets are available to maintain your (and your survivor's) lifestyle, given investment losses.

Fix Exemption Trusts (larger estates)

Many older married couple wills fund the exemption, credit shelter, exemption or bypass trust with the maximum amount that can pass free of federal estate tax. In 2009, that would cause \$3,500,000 to pass to the trust. Depending on trust terms, the will might trigger \$170,000 in Washington estate tax on the death of the first spouse.

Eliminate Exemption Trusts (smaller estates)

Married couples with combined estates under the \$2,000,000 should consider simplifying their wills by eliminating their mandatory exemption trusts.

Disclaimer Planning (smaller estates)

Consider replacing a mandatory exemption trust with a "disclaimer"-style trust, to permit the surviving spouse to determine the amount that passes to the exemption trust (within nine months after the first death). If the Congress eventually approves "portable exemptions", maybe no disclaimer would be needed to avoid estate taxes.

Update Powers of Attorney (larger estates)

Washington does not impose a gift tax. Individuals should update financial powers of attorney to permit deathbed gifts, to avoid the Washington estate tax.

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