

# Re: how to compare living standards

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- *From:* William F Hummel <[wfhummel@xxxxxxxxxxx](mailto:wfhummel@xxxxxxxxxxx)>
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On Mon, 10 Apr 2006 12:47:52 -0500, "Jim Blair" <[jeb@xxxxxxxx](mailto:jeb@xxxxxxxx)> wrote:

And when my family (me and my wife) wealth passed the \$650,000 mark when that was the estate tax deduction, we were advised to (and did) pay a lawyer about \$1500 to move our assets into a trust and make our beneficiaries the trust (rather than each other), and then make our daughter and grandchildren trustees. We were assured that this would insure that when either or both of us die, our estate will avoid both probate and federal and Wisconsin estate taxes. The document is several pages long and I don't understand it but it has a clause about giving the surviving trustees the option of taking only a part of the trust (i.e the estate tax deduction limit) and keeping the rest in the trust which can then be passed on or taken at a later date or used to pay expenses or some such.

Since then, the exemption has increased to well above our family assets, so my \$1500 was likely wasted :-).

That is, unless I were to become a lot richer :-)

The main purpose of putting your assets into a living trust is to avoid probate, which not only involves a court jurisdiction over the estate but soaks up a lot of the value of the estate in lawyer's fees. A living trust itself does not in any way eliminate estate taxes, when the value of the estate exceeds the exemption limit.

The unlimited marital deduction feature of a living trust eliminates any estate taxes on the death of the first spouse, assuming all of the assets belong equally to each spouse. The trust must be divided into two parts, the decedent's trust and the survivor's trust. If the value of the decedent's trust exceeds the exemption limit, the excess can be transferred to the survivor's trust in order to avoid the estate tax on the decedent's share of the estate.

On the death of the second spouse, the successor trustee (whoever you have named in the trust) will terminate by distributing the assets to the beneficiaries after first paying the estate tax on that portion of the survivor trust that exceeds the exemption amount. This year

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the exemption is \$2 million. So unless your combined estate is over \$4 million, there will be no estate tax due at all, and thus no need to file an estate tax Form 706. That form is complex and normally requires the help of an accountant or lawyer.

Assuming you have put all of your assets into the trust, the \$1,500 you paid a lawyer to create the trust is well worth it because your heirs will avoid the time and expense of probate. However if the amount left out of the trust exceeds \$100,000, all of that amount will be subject to probate.

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