

Re: how to compare living standards

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- *From:* "Jim Blair" <jeb@xxxxxxx>
 - *Date:* Mon, 17 Apr 2006 11:35:57 -0500
-

"William F Hummel" <wfhummel@xxxxxxxxxxx> wrote in message
<news:9mkt32lcf9k1imurtsnjncfl7kcrhlvaf6@xxxxxxxxxxx>

On Thu, 13 Apr 2006 15:17:13 -0500, "Jim Blair" <jeb@xxxxxxx> wrote:

"tonyp" <tonyp@xxxxxxxxxxxxxxxx> wrote in message
<news:1P2dnZvgYMKxQKfZRVn-gw@xxxxxxxxxxx>

1) The difference between "trustee" and "beneficiary". Jim seemed to conflate the two.

Sorry. I know they are different. But for the trusts that I know about they are mostly the same people.

Trustee and trustor are usually the same people, but the beneficiary is never the same as the trustee. Typically the beneficiaries of living trust are the children of the trustee/trustor.

Hi,

Sorry for the sloppy way I said that. The money passed from parents to children to grand children, bypassing both probate and Uncle Sam. Individuals were variously trustees or beneficiaries but not both at the same time.

2) The unified lifetime gift-and-estate tax exemption. There is an

intimate

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tie between the gift tax and the estate tax, as both tax lawyers and

the

IRS

understand.

-- TP

??? This I don't understand. If I leave my estate to my kids, do I need

to

deduct from the exemption limit all of the allowance I gave the kids?

Are

there any records kept of money that I give to anyone, including my own kids? (I mean money under the annual limit that would draw a tax)

The exemption limit on the Federal estate tax is reduced by the total amount of taxable gifts a donor gives during his lifetime, assuming you apply the gift tax credit rather than paying the tax. You must file a Form 709 to report any taxable gift for each year that a taxable gift is made, and either pay the tax or apply the credit.

You do not have to file a report on gifts of \$12,000 per year or less. There is no tax on such gifts, and they can be made to any number of individuals, but no individual can receive more than \$12,000 during a single year. Otherwise the excess is considered a taxable gift and must be reported.

For a rich couple, multiply your limits by 2. If they want to keep the wealth in the family, each can give each of their children and grandchildren that \$12K each year. Plus they can also pay off their kids student loans and the school tuition of their grand children, or so I read in a newsletter from an estate planner. That would imply that the \$12K tax free each individual can receive is from one individual, or 24K from both parents, plus the tuition payments.

Maybe this is one reason that the government take of inter-generational wealth transfer is so low?

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