It is time to review wills and trusts.

The recent permanent change in estate tax limits means that most taxpayers will not be subject to Federal estate tax. The current level of exclusion has increased in 2014 to $5,340,000 per individual. Married couples will have a combined exclusion amount of $10,680,000.

The traditional wills and trusts which were executed prior to the increase in exclusion limits were structured with the concept that family trusts be funded to the limit of the exemption, and then the balance funded to the marital trust. This type of design was prototypical of will and trust design for the past several decades. The planning feature of this was that the family trust would be funded with growth assets which would benefit from both a step-up of tax basis as well as estate tax free growth of the underlying investments. The marital trust would be funded with the excess assets and any estate tax was deferred until the death of the surviving spouse.

With the advent of significantly larger exclusions which will increase annually, and the new law that allows the carryover of the unused exclusion balance of the first-to-die spouse, most estates which were previously subject to estate taxes will now be exempt. This change requires that wills and estates be revisited. Many mid-sized estates may no longer require the use of a family trust. This revision would minimize the need to fund two trusts and afford the surviving spouse more control over the assets.

We are recommending that you consult with your estate attorney to determine if you need to update your wills and trusts in light of the changes in the estate tax provisions. BrookWeiner will also be available to assist in the planning process and coordinate the changes with your legal representative.

One issue that many families will face is that while their combined estates are below the Federal estate tax exclusion, they may be above the state inheritance limitations. If you find yourself in this circumstance there are certain ways to plan around such limitations. We can work with your attorneys and wealth advisors to help mitigate the state inheritance tax.

As a final note, financial and estate plans need to be reviewed on a regular basis. If a life event takes place the impact should be reviewed in light of both estate and retirement planning on a current basis. Addressing these issues promptly is the best way to respond to change.

If you have any questions give us a call.