

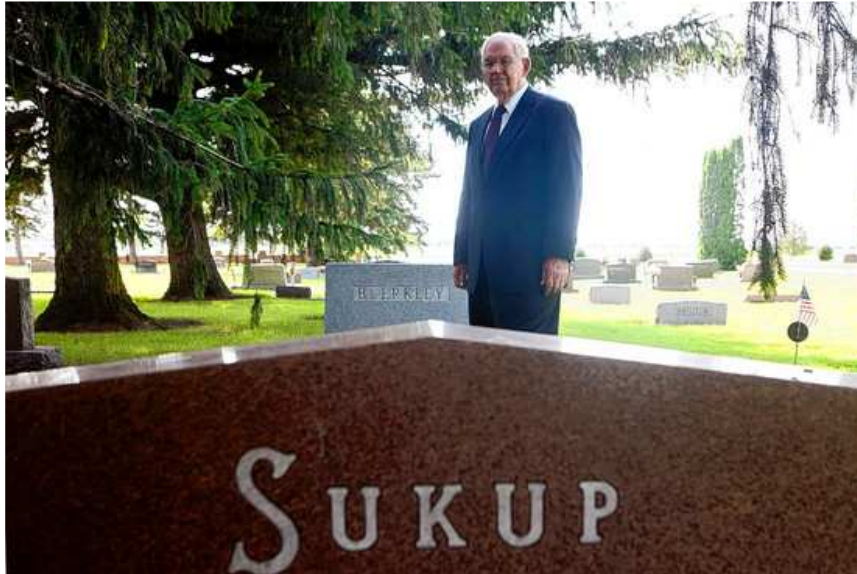
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By Laura Saunders and Mary Pilon

Too Rich To Live?

The estate tax is set to come roaring back in January. That sets the stage for a perverse calculus: End it all—or leave a massive bill for your heirs to deal with.



Tim Gruber for The Wall Street Journal: Eugene Sukup, 81, visits the grave of his parents and grandparents at the Hillside Cemetery in Sheffield, Iowa.

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Eight times as many taxpayers are likely to be affected by estate taxes changes in 2011. The federal estate tax exemption per person is shrinking from \$3.5 million in 2009 to \$1 million in 2011 and is comparable to Congress creating a wound. The top federal estate tax rate increasing from 45% in 2009 to 55% in 2011 is comparable to Congress adding salt to the wound.

In addition to the federal estate tax many states take their own pound of flesh through state estate taxes. For example, Washington state levies its own hefty 19% estate tax. With so many states running unprecedented deficits, those states without state estate taxes may soon initiate them.

Fortunately, there are a number of estate planning tools available to mitigate or entirely avoid estate taxes. Vehicles such as Credit Shelter Trusts (CST), Irrevocable Life Insurance Trusts (ILIT), Grantor Retained Annuity Trusts (GRAT) and Intentionally Defective Grantor Trusts (IDGT) are just some of those tools.

Section 529 of the Internal Revenue Code (IRC) provides power estate planning opportunities. Unlike many other estate planning approaches, utilization of Section 529 of the IRC can provide much greater flexibility for controlling assets.

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