



BARBARIANS! COMING SOON TO A GATE NEAR YOU?



Each new generation born is in effect an invasion of civilization by little barbarians, who must be civilized before it is too late.

—Thomas Sowell

A couple thousand years ago a Roman emperor named Hadrian built a great wall across the north of what is modern day England. Hadrian's goal was to protect the Roman Empire from barbarians (the early Scots!).

You can also build a wall to protect your wealth like Hadrian did. The law today allows any individual to gift up to \$5.12 million without paying any gift tax on the transfer. With a shaky economy, you might ask why would anybody consider doing such a thing?

The answer is that the law is set to change next year, reducing the gifting limit to \$1 million, and raising the estate tax rates on any assets remaining in a taxable estate to 55% (up from today's 35%), plus any state estate taxes.

Understandably, many feel financially vulnerable and uneasy in giving away a substantial portion of their wealth. Clients often think that gifts have to be made to children or grandchildren. While that idea is fine for some, many do not feel comfortable parting with great wealth.

Those folks could be reminded that gifts can be made - in trust - for spouses. An *outright* gift to a spouse simply means that the gifted assets will be included in the spouse's estate. However, a *gift in trust* to a spouse can allow the gifted assets to remain untaxed in the spouse's estate. If those gifted trust assets happen to appreciate, the appreciation also escapes estate tax. And, the assets of this trust can pass on, estate tax free, to trusts for children and later generations, in perpetuity, under current law!

You may not feel like you have an empire like Hadrian did. And you probably have very little fear of invasion by a horde of angry Scots. But what might you fear? The answer is clear.

You can rightfully fear the barbarians that may be in the future of your loved ones. What are these barbarians?

Divorce. What are the odds of a child getting a divorce? Perhaps 30% - 50%. In other words, a very real risk.

Lawsuits. It has been said that people will likely be named a defendant in a lawsuit, on average, about once in their lives. If your loved ones are not potential defendants, then they probably do not drive, never have houseguests, and conduct no business.

Taxes. You have heard rumors of governments ravenous for revenues and the threat of higher taxes. The current large gift and estate tax exemptions will likely not last. Perhaps you should act now and build your wall, rather than waiting to see if the state and federal governments choose to tax you more.

How do you build your Hadrian's Wall? Step One: Build an irrevocable trust to benefit your spouse, children, and/or grandchildren. Step Two: Fund it to the extent you are financially comfortable. Step Three: Enjoy the view as you watch your Hadrian's Wall protect your loved ones from their barbarians.



Your soon-to-be former son-in-law wants half of your daughter's inheritance. Funny—you do not remember him looking like this at their wedding.