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Synopsis of Credit Shelter Trust Will

Each person is allowed to transfer assets valued up to the unified credit amount without incurring any estate tax liability. The unified credit amount for 2007 is \$2 million dollars, and will remain at \$2 million until the end of 2008 unless changed by Congress. The dollar amount of the unified credit is scheduled to increase in future years. It will increase to \$3.5 million in 2009. The estate tax will be repealed altogether in 2010. If Congress does not act between now and then, the estate tax will be reinstated in 2011 and the unified credit amount will be \$1 million.

One of the most important estate planning devices is to "shelter" the unified credit of the first spouse to die by placing the exemption amount in a credit shelter trust. To avoid paying an estate tax in the estate of the first spouse to die, the amount transferred to the credit shelter trust cannot exceed the maximum unified credit exemption amount for such year. The idea of this trust is to ensure that the unified credit amount will pass to the next generation (or remainder beneficiaries) without being taxed on the estate of the decedent and without being included in the gross estate of the surviving spouse. This is done by structuring the trust so that the surviving spouse does not have the deceased spouse's property included in his or her gross estate upon death.

According to current law, the credit shelter trust assets may be used for the benefit of your surviving spouse during his or her lifetime. At the death of your surviving spouse, the remaining credit shelter trust assets will pass to your successor beneficiaries free of estate tax, even if the value of such assets exceed the value placed into the trust at the time of your death. Thus, at the death of your surviving spouse, both spouse's exemption amounts will be utilized to reduce the estate tax incurred by your successor beneficiaries.

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