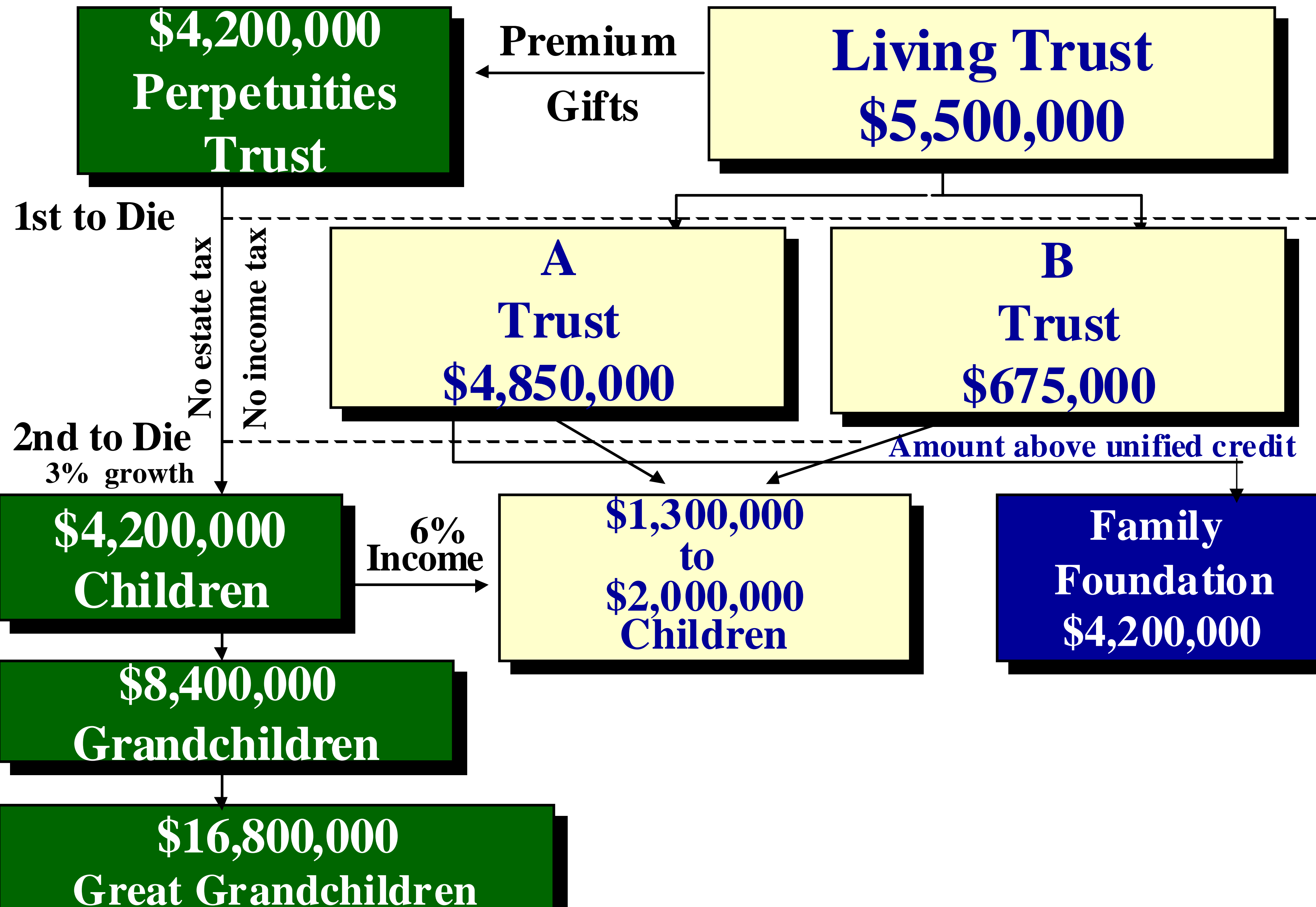
Zero Estate Plan



Under this zero estate plan the client has a $5.5 million estate. With no planning this estate will pay up to $3,000,000 in estate and transfer costs.

This planning technique is meant to pass the maximum amount allowed under the unified credit through the estate, which will eventually increase to an upward limit of $2 million for a married couple with A/B Trust provisions. The balance of the estate which is above the unified credit will go to their own family foundation or charity. In other words, they will have a provision in their living trust, stating that the amount above the unified credit will be given away to charity. Thus no estate tax. Everything is given away that would have been in the estate and taxed. The question is “Given a choice to give money to the IRS or your favorite charity, which one would you choose?”

By giving away everything above the unified credit to charity the children, grandchildren, and future generations are disinherited from the cash and assets in the estate. The solution is to set up a perpetuities trust domiciled in a state that has no laws against perpetuities. This trust is set up and applies for a last to die life insurance on the two parents lives.

Gifts are made to the Perpetuities Trust of the life insurance premium. Notices are sent to the beneficiaries of the trust annually notifying them of the gifts and rights of withdrawal.

At the death of the last parent the proceeds in the perpetuities trust will move down to the next generation income tax free and outside their estate. The trust can be set up to pay out income to the children and at their deaths, to the grandchildren and at their deaths, to the great-grandchildren. The trust can continue on forever. If there are no further children, the proceeds can go to the Family Foundation.

The family foundation can be set up to pay out income to the various non profit organizations that the family supports. The money in the family foundation is money that normally would have gone to the IRS for social capital. Now this money is being directed by the family based up their values.

This is a *Win, Win, Win* situation. The amount passed to the children is greater than if they had paid the estate taxes. The parents are in total control of their estate during their lifetime. Finally the social capital that would have gone to the IRS is being self-directed by the family based upon their values.