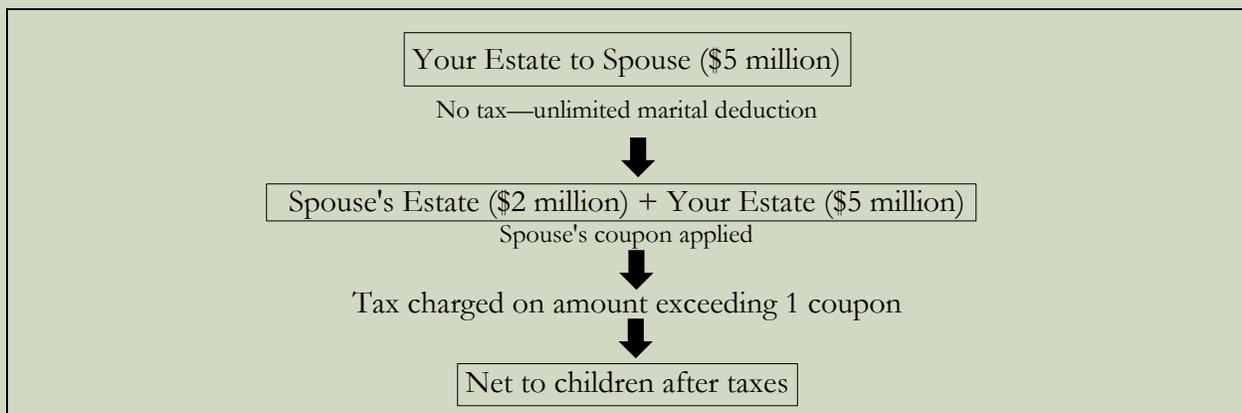


DISCLAIMER TRUSTS

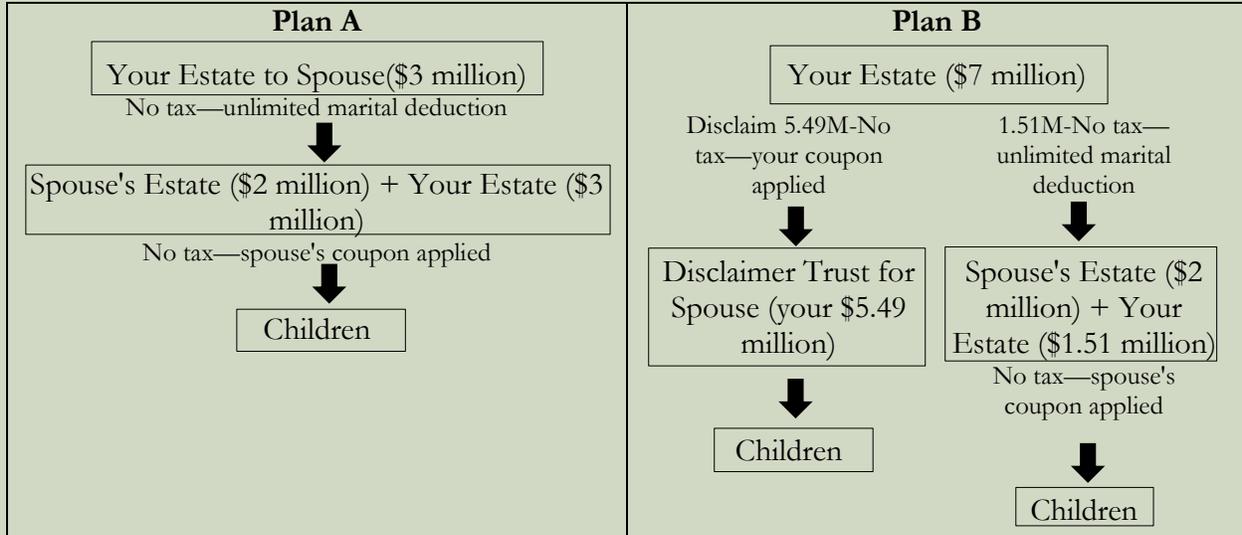
Married couples frequently leave their estates to each other outright (as opposed to in trust). This plan can result in a significant increase in taxes for the final recipients (children or other beneficiaries). This can be avoided.

Cause of Tax Increase. You and your spouse are each entitled to one estate tax exemption. An estate tax exemption is a coupon the government gives to citizens and permanent residents entitling them to leave a fixed amount of assets estate-tax free to heirs. Because all property you leave to your spouse passes estate tax free (due to the marital deduction), you can unintentionally forgo the use of your coupon upon your death. In this case, at the death of your spouse, the property you left to your spouse is taxed in his/her estate. Instead of the value of two coupons passing without estate tax, you are limited to one. While the IRS has implemented "portability", permitting your spouse to use your unused coupon at their death, this option requires the preparation and filing of an estate tax return, which would otherwise not be required.



Elimination of Tax Increase. If your estate is nearing the coupon amount, you can include a disclaimer trust in your plan. A disclaimer trust provides a “wait and see” approach to estate tax planning. Each spouse’s plan has a “Plan A” scenario that disposes of assets as if there is no estate tax due, and a “Plan B” scenario that uses a disclaimer trust to make the assets available to the surviving spouse while taking advantage of the first spouse’s coupon. After the first death, the surviving spouse can choose between Plan A or Plan B. If there are no pressing estate tax considerations, the surviving spouse can accept Plan A by default. But if there is a need to use Plan B for estate tax purposes, the

surviving spouse can “disclaim” some or all of the assets into the disclaimer trust. The disclaimer trust shelters the assets from inclusion in the surviving spouse’s estate. This eliminates the need to force a more complicated plan, while ensuring that estate tax planning is available if needed.



This example is based on the 2017 estate tax exemption amount of \$5.49M.