

# Most People Need Not Worry About Estate Taxes

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By Rachel Podnos, CFP

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Welcome news: As of 2016, if you die with less than \$5.45 million in assets — or \$10.9 million if you're married — your estate won't owe federal estate tax.

Surprised? Most people are. As a financial planner, I come across many people who list avoiding estate tax as a top priority in

their financial plan. But in reality, very few people accumulate enough wealth to make federal estate tax an issue.

## Small minority hit with tax

Some people might be concerned about estate tax because the federal exemption amount used to be much lower. As recently as 2008, it was \$2 million. In 2001, it was \$675,000.

But since the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act passed in

2010, the estate tax exemption has been \$5 million and higher. The amount increases each year to adjust for inflation.

The top estate tax bracket is 40%, so this high exemption amount saves a lot of people a lot of money.

In fact, according to the Tax Policy Center, only 5,300 estates were expected to be taxable in 2015.

That is, out of the 2.6 million people who were expected to die last year, only 1 out of every 495 was projected to have a taxable estate.

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What's more, you can also make tax-free gifts of up to \$14,000 to any number of persons each year. And you can leave an unlimited amount of assets to your spouse or a charity without triggering federal estate tax.

If you will die with enough assets to have a taxable estate, rest assured that there are many loopholes, strategies and estate planning tools you can use to shelter your wealth. That's a topic for another article.

### The need for estate planning

So does all of this mean that you don't need an estate plan? Absolutely not. I would argue that virtually everyone needs some elements of an estate plan, such as an advanced health care directive and a durable power of attorney.

Most people should also have at least a basic will to establish what will happen with their minor children and assets when they die.

Keep in mind that estate tax rules might be changing: Presidential candidates Hillary Clinton and Donald Trump have proposed changes, and a new IRS proposal could raise estate taxes for wealthy business owners.

Keep in mind, too, that you may have a state estate tax: Currently, 15 states and the District of Columbia do. However, all of them have an exemption amount and maximum tax rates that are far lower than the federal rate of 40%. New Jersey has the lowest exemption amount (\$675,000), and Washington has the highest maximum estate tax rate (20%).

When it comes to estate planning, tax isn't the key thing for most people to worry about — it's making sure the other elements of your estate plan are in order.

*Rachel Podnos is a fee-only financial planner with Wealth Care LLC.*

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