

SUPER COMMITTEE AND TAX IMPLICATIONS

The Wealth Strategies Group

at Atlantic Trust integrates estate, financial and investment planning through sophisticated assessment of goals with the objective of multigenerational capital preservation, family business continuity and strategic philanthropic objectives.

The future of the federal estate and gift tax system continues to be the subject of rumors and speculation.

The latest of these rumors is that the Joint Select Committee on Deficit Reduction (the "Super Committee") will recommend a reversion to the estate and gift tax rates and exemptions that were in place in 2009. The Committee's recommendations are scheduled to be released on November 23, 2011. The rumored change would reduce the lifetime exemption from the gift tax from its current level of \$5 million to \$1 million, eliminating a substantial planning opportunity that exists today.

The speculation is truly just that—the content of the Committee's meetings has not been made public, and deliberations are fluid. However, for clients who are considering taking advantage of the current gift tax exemption amount, this might be a good time to review your wealth transfer plans.

- The interest rates used to value gifts in many estate planning strategies are at historically low levels.
- Moreover, strategies that seek to discount the value of assets transferred are still available, although they have been under examination by lawmakers in recent years.
- The current volatility in the financial markets can produce favorable valuations of interests in closely-held entities for transfer tax purposes.

The goal of lifetime gift planning is to move assets to younger family members so that they can appreciate in their hands, rather than be taxed in the estate of the transferor. The sooner assets are transferred, the sooner they will begin to grow in the hands of children and grandchildren.

In light of the legislative uncertainty around the gift tax exemption, now might be a good time to review your portfolio with your Atlantic Trust relationship manager. We would be pleased to work with you and your tax advisers to help you plan to maximize the current opportunity.

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