



# Will Power

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## ESTATE PLANNING MAGIC

I always like to watch magicians. I'm amazed when they make an elephant disappear right before my eyes. Since we are in our dog days of summer, I decided that I going to try to entertain you with estate planning magic. Today, I'm going to do my best impersonation of Houdini and make taxes disappear right before your eyes! I'm going to show you an estate planning technique to convert a highly-taxable asset into one that is estate and income tax free!

I realize, of course, that this might not be quite as exciting as watching me escape from a water chamber while chained and shackled. I fully understand that the thought of an attorney struggling to take his last breath of oxygen is probably a happy one for most, however. But I digress.

The Fabulous Attorney will now take an Individual Retirement Account (IRA) that has a balance of \$400,000. The owner of the account has a taxable estate, so that the combined income and estate taxes will run approximately 75% of the value of the IRA account at death. So we have a potential tax burden of \$300,000 on this \$400,000 account.

I waive my magic attorney Mont Blanc pen (my version of a wand) and say a few choice words, "IRA purchase an immediate annuity" I bellow, "and distribute the annuity to my client!" Sweat gathers on my brow as I wave my Mont Blanc pen a second time. "Create an irrevocable life insurance trust! The trust shall purchase a \$400,000 policy on client's life and name his spouse and children as beneficiaries!"

Next I turn to my client. He is fearful that I am going to saw him in half. He whispers in my ear. It turns out that he doesn't fear being sawed in half, he fears his wallet will be sawed in half by the magical attorney! But I calm him down pointing out that I am saving many hundreds of thousands of dollars of taxes!

"Now, dear client, take the income stream from the immediate annuity and contribute those amounts net of tax to the life insurance trust!"

The client does as he is told. Unfortunately, the client must die for the magic trick to finish. So we'll pretend that he dies instead. I roll up my sleeves to reveal no hidden tricks, dramatically sweep my cape to my back and waive my Mont Blanc pen one final time. Wallah! We learn that when the client dies his IRA is exhausted but his life insurance policy of \$400,000 now passes estate and income tax free in trust for his spouse and children! The Magnificent Attorney has made the taxes disappear!

Thank you for your applause.

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