The Eccentric
business
Dennis O'Connor coordinator/644-1100
Thursday, April 7, 1983 O&E
(T-6B,S-15A,F,Ro-9B)(O)13A

Estate planning still is necessary

finances and you
Sid Mittra

PART I

Under the terms of the Economic Recovery Tax Act of 1981, a married person can leave an unlimited estate to his/her spouse free of federal estate taxes — a provision called the marital deduction.

Many people erroneously believe that this tax act has made estate planning unnecessary. They feel estate-tax problems merely could be solved by changing an old will or by making a new will specifically referring to the unlimited marital deduction.

This simply is not true.

Estate tax planning is just as important today as it was before the tax act of 1981 was passed.

AFTER A PERSON'S death, a federal tax return must be filed within nine months if his/her gross estate is valued higher than the filing requirements. A unified credit is allowed against the computed estate and gift taxes, resulting in an equivalent exemption from filing requirements.

For example, in 1983 the unified credit of $79,300 results in an equivalent exemption of $275,000 — meaning that no estate tax return would be necessary if the value of the gross estate does not exceed $275,000.

The tax act of 1981 altered filing requirements as illustrated below:

YEAR	UNIFIED CREDIT	EQUIV. EXEMPTION
1983	$79,300	$275,000
1984	$96,300	$325,000
1985	$121,800	$400,000
1986	$155,800	$500,000
1987	$192,800	$600,000

It is obvious that a person whose estate is less than $275,000 in 1983 would not have to pay any estate taxes if he/she leaves everything to his/her spouse. However, there may be a bunching of assets in the survivor's estate which, because of valuation increases as the result of appreciation and inflation, may cause a portion to be taxable when the survivor dies. Beyond that, Congress could freeze tax benefits so that further increases in exemptions may not occur.

THERE ARE MANY ways one can plan for minimizing estate taxes that must be paid upon death. One such alternative refers to the creation of a trust.

In simple terms, a trust is a legal instrument by which an individual places ownership of assets with the name of a trustee, to hold for the use and the benefit of some other person or persons known as beneficiaries. A trustee usually is someone relied on for integrity and judgment by the donor, a bank or both.

Next week, Part II will discuss the pros and cons of creating a trust.

EDUCATIONAL SEMINAR: The *Observer & Eccentric Newspapers* and I will conduct our next financial planning seminar from 8-10 p.m. Wednesday, May 4 at the Michigan State University Management Center, Troy. Topics to be covered will be determined by polling the attendees. The seminar is free, but registration is required. For more details call 643-8888.

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● CHANNEL 56 AUCTION

Friday-Saturday, April 9-16 — Housing, real estate and home-care items are part of the 15th annual Channel 56 fund-raising effort for the public television station. For information on the eight-day event, call the station at 873-7200.

● ISRAELI VISITOR

Saturday-Tuesday, April 9-12 — Razi Rom, president of Cycon Computerized Systems of Israel, will meet with metropolitan Detroit business people to report on Israel's economic progress during the past 35 years. For information on this visit, call 557-2900.

● BEST-MAINTAINED HOME

The Western Wayne Oakland County Board of Realtors (WWOCBR) sponsors a "Best Maintained Home" photo contest. Exterior photos of owner-occupied homes may be mailed to 24145 Drake, Farmington 48024 or delivered to any WWOCBR-member office. Entry dates are April 10 to May 14. Photos, which will not be returned, should be no larger than 5 x 7 inches. Farmington, Southfield, West Bloomfield and Bloomfield Hills homes are eligible. For information, call 478-1000.

● HOME-BUYING SEMINAR

Thursday, April 14 — Prospective and present homeowners may participate in a free, two-hour seminar called "How You Can Buy A Home" at 7:30 p.m. Thursday, April 14 at Livonia's City Hall auditorium. The seminar is sponsored by the Western Wayne Oakland County Board of Realtors, as part of Private Property Week. To register, call 478-1000 or 538-4640.

JWV seeking food, clothing

A drive to collect food, clothing and money for needy persons has been started by the Department of Michigan Jewish War Veterans and its Ladies Auxiliary.

Norman L. Berkley, state commander, and Shirlee Snider, department president, have asked that donors who wish to help persons in distress should bring their food, clothing and money contributions to the JWV Memorial Home, 16990 12 Mile, Southfield.