



## The DWS Connection

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### Attorneys

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## Does Changing Landscape Require a Tune-up?

On behalf of the attorneys and staff at Dismuke, Waters & Sweet, we wish you a happy new year and extend our gratitude and appreciation for entrusting us with your important tax and legal matters. As the festivities of welcoming 2009 recede, it gives us an opportunity to briefly reflect on the events of the prior year and turn our thoughts to the immediate future.

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### Quote of the Day

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"Be at war with your vices, at peace with your neighbors, and let every new year find you a better man."----Benjamin Franklin

#### Asset Value Reduction

The recession and failing economy of 2008 has undoubtedly taken a toll on the personal economic worth of many. Over the years, we have assisted many of you in implementing estate plans that manage and ultimately dispose of your assets according to your unique desires. For some, it's probably safe to say that those assets are valued significantly lower today compared to the time when you did your initial planning. This, coupled with some important changes in the tax law that took effect on January 1, 2009, can result in significant, and largely unintended, consequences to your estate plan.

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### Points to Ponder

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In these times of fiscal challenge, we're all doing more to make good financial choices. For an interesting book that you and any adult and even children might find worth the read, try *Financial Peace: Revisited* by Dave Ramsey. You might not agree with all that he says, but he may help you rethink areas and spark some good conversation.

#### Exemption Increase

As of January 1, 2009, the federal estate tax exemption increased from \$2,000,000 (in 2008) to \$3,500,000. This means that, with proper planning, each person who dies in 2009 is able to leave an additional \$1,500,000 in assets to his heirs free of estate tax. While that sounds like a good thing, it could actually have an adverse impact on one's estate plan.

#### Possible Effect

For many of our clients, this change in the tax law coupled with the reduction of assets will have little to no effect upon their plans, except to assure them that less or no estate tax would be due upon their passing. On the other hand, many of our clients have created wills or trusts that leave their entire estate-tax exemption to a certain person or class of persons. A typical scenario is one where a client's will leaves his estate tax exemption amount to his children or only children by a previous marriage, with the remainder of his estate passing to his surviving spouse. This is often seen in the so-called "blended-family" situation. Under the will or trust, any remaining amount would then pass to the surviving spouse. However, many of these wills and trusts were drafted when the client understood that his estate tax exemption would be equal to \$1 million or even \$2 million and his financial assets were much larger. Imagine the surprise a surviving spouse would experience when he learns after his spouse passes

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### Looking Ahead

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Sometimes the most

valuable assets a family has are its ethics, principles and values; yet, at the same time, these are often the very things that are not well transmitted. We have established a unique system called Family Legacy Preservation to assist families in this all important process. Soon we will describe this new system in more detail and let you know how you can take advantage of this new opportunity.

away in 2009, that his share of the deceased spouse's estate is \$1.5 million less than expected and that the value of all the assets substantially decreased as well. The result could frustrate one's desire to both balance the financial benefit to his family and minimize the estate tax.

This is only one example of how changes in the law and one's personal net worth can significantly affect his estate plan. Therefore, we believe now is an excellent time to review your estate plan to ensure it continues to accomplish intended objectives and desires, while balancing these complicated issues. Please contact our firm to schedule a consultation if you would like us to assist you in that important work.

[Wall Street Journal Article "Obama Plans to Keep Estate Tax"](#)

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