



The Law Offices
of Jeffrey S. Salisbury



Clients & Friends Newsletter

January/February 2011

How are you doing?

I hope that your holiday season went well and that you are off to a good start in 2011! My wife, Denise, and I enjoyed a Caribbean cruise for our anniversary a couple weeks ago. This was the first time we'd ever taken a cruise. Denise tends to get motion sick, so we were concerned about that. However, she wore sea bands and took Ginger tablets, and did quite well. It was interesting to visit St. Thomas, St. Maarten and the Bahamas. There are no rivers or lakes on any of those islands. They are totally dependent on rainfall and desalinization for drinking water. This made me reflect on how dependent we all are on our land and climate for the most basic essentials in life. Despite all of the incredible turmoil throughout the world, such as in North Korea, Egypt and the Euro Zone, not to mention here at home, we are still fortunate to live in this great land with its abundant natural resources and vast opportunities. I know this is not the Fourth of July, however I'm a firm believer that gratitude is a building block for happiness. Here's to gratitude for living in the USA with all the blessings that come along with that!

Tip of the Month!

As you may know, at the 11th hour, Congress enacted various tax measures in December. Some of those measures relate to estate and gift taxation. The biggest changes involve the increase in the federal estate tax exemption from \$3.5 million to \$5 million, and the increase in the lifetime gift tax exclusion from \$1 million to \$5 million. Of course, this is good news, but it does leave some individuals with traditional "A-B" or "Bypass Trusts" in a bit of a quandary. The increase in the exemption amount may have made such trusts obsolete for families with a net worth well under the new \$5 million exemption. The problem is that, when the first spouse dies, the second spouse may be stuck with a Bypass Trust they don't need, which would require filing a separate income tax return annually, together with additional formalities. If you have a traditional Bypass Trust plan, you should consider converting it to a Disclaimer Trust. A Disclaimer Trust gives the surviving spouse a choice of whether to use a Bypass Trust approach or not, depending on the family's net worth and the federal estate tax laws at the time of the first spouse's death. Bear in mind that the \$5 million exemption could be raised, lowered or eliminated in the future, depending on the vagaries of politics and the economy. Note also that the Oregon state inheritance tax exemption remains at just \$1 million, so that will factor into any decision to convert your Bypass Trust to a Disclaimer Trust. If you have a Bypass Trust, feel free to call me to discuss your options.

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