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Strategic Integrated Planning

RECENT DRAMATIC REDUCTIONS IN THE IRS' APPLICABLE FEDERAL RATES PROVIDE PLANNING OPPORTUNITIES FOR TAXPAYERS

As you are undoubtedly aware, one of the few positive effects of the recent economic meltdown has been the dramatic decline in interest rates, including the so-called "Applicable Federal Rate" or "AFR" published each month by the Internal Revenue Service. What most people fail to appreciate, however, is that the low AFR has created once in a lifetime tax planning opportunities for taxpayers prepared to take advantage of it.

The Waage Law Firm has developed a number of income and estate tax reduction strategies that involve loans or installment obligations that bear interest at the applicable AFR. With the AFR at historically low levels (currently less than 1 percent), in many cases the tax savings flowing from the implementation of these strategies have dramatically increased.

Among the Firm's tax planning strategies that have been favorably impacted by the reduction in the AFR are the following:

- Installment Sales to Irrevocable Grantor Trusts ("IGTs") — this strategy can greatly reduce the amount of a taxpayer's estate subject to federal estate tax without relinquishing control over the assets that are removed from the taxpayer's estate.
- Grantor Retained Annuity Trusts ("GRATs") — this strategy is an alternative to the installment sale to an IDGT, and accomplishes much the same result.
- Strategic Integrated Installment Sales — this strategy permits taxpayers to sell highly appreciated assets for cash and to thereafter control the investment of the proceeds while deferring payment of capital gains taxes for many years into the future.
- Intrafamily "Gift" Loans — this strategy permits funds to be loaned from one generation to the next with the principal of the loan being forgiven over time to take advantage of the annual gift exemption (currently \$13,000 per year per donor).
- Corporate-Shareholder Loans — this strategy permits shareholders of closely held corporations to treat as non-taxable loans amounts that would otherwise be taxable as compensation, thereby deferring the imposition of income and payroll taxes on the amounts lent to the shareholder.

We believe that the extremely low AFR, coupled with the relatively low current value of many assets, makes this an ideal time for high net worth taxpayers to carefully evaluate the tax savings opportunities available to them. The Waage Law Firm, with its strategic integrated approach to tax planning, is ideally situated to assist you in evaluating those opportunities.

Please contact Firm Director June Waage at 1-866-657-0246 or jwaage@strategiclawgroup.com to arrange for a meeting with a member of our professional staff.