



## REMINDER FOR 2020 YEAR-END LEGAL ISSUES

From Our Colleagues at Frye & Vazquez, P.L.

- Gifting for 2020
- Important legal planning changes that may affect you
- Year-end planning issues with 12/31/20 deadlines
- Asset Protection reminder

### Gifting for 2020

The annual gift exclusion amount is \$15,000 for 2020, the same as what it was in 2019. You can give away \$15,000 to as many individuals as you'd like. A husband and wife can each make \$15,000 gifts. So a couple could make \$30,000 gifts to each of their four grandchildren, for a total of \$120,000. The annual exclusion gifts don't count towards the lifetime gift exemption. Many of our clients have set up irrevocable gifting trusts for their children and grandchildren. These trusts generally allow you to make gift to heirs into trusts that protect the funds and your heirs for years to come. Please be sure to complete the gifting process by 12/31/2020.

The annual exclusion for federal gift tax purposes remains at \$15,000 for 2021.

### Ensuring Your Estate Planning is Up To Date

#### **The Increase In The Estate Tax Exemption Can Affect Planning.**

The 2021 amounts are increasing to \$11.7 million (up from \$11.58 million in 2020) per individual and \$23.4 million (up from \$23.16 million in 2020) for married couples. Some estate planning documents may no longer be consistent with the desired goals. All clients should have their estate documents reviewed to make sure that the rise in the exemption amount doesn't create unexpected consequences. One unexpected consequence could be that an entire estate is left to a children's trust, while the surviving spouse receives no direct inheritance. Please be sure to make an appointment to discuss your specific situation.

### Personal Planning 12/31 Deadlines

#### **"Crummey" Letters:**

If you made or plan to make any gifts, either in cash or other property, to an Irrevocable Trust this year, you must memorialize those gifts with a "Crummey letter" to each beneficiary of the trust, in order to remain compliant with IRS gifting rules. Children's and Grandchildren's Trusts, Irrevocable Life Insurance Trusts, Special Needs Trusts and Credit Shelter Trusts are all examples of Irrevocable Trusts to which you might have made gifts this year. Please contact our office if you would like us to prepare the required Crummey letters or if you have any questions regarding this IRS requirement.



### **Trust Accounting:**

**If you are a Trustee of an Irrevocable Trust,** Florida Trust Code rules require that you provide a copy of the annual accounting of the Trust's assets to each beneficiary of the trust (a beneficiary may waive his or her right to an accounting). If you are a trustee of such a trust, we recommend that you do your annual trust accounting for 2020 as soon as possible after the end of the year.

### **Updating Beneficiary Designations - No Deadline, But Extremely Important:**

If any changes occurred in your personal situations that may affect how you want your estate to be passed on, updating your beneficiary designations on all accounts, policies, trusts, retirement plans, etc. is vital. In many cases, beneficiary designations will trump a will if there are inconsistencies. Therefore, keeping these designations up to date is a crucial aspect of effective planning.

### **12/31 Deadlines For Small Business Owners:**

- Minutes and special resolutions should be prepared for any major events that occurred during the year. (Examples: real estate acquisitions or sales, addition or termination of corporate retirement plans, changing or adding officers or shareholders, new business acquisitions, etc.).
- Buy-sell agreements, operating agreements, and other business agreements must be reviewed on a yearly basis to ensure they are up-to-date. For example, many buy-sell agreements require that the shareholders agree on a valuation of the business each year or every other year.

### **To Consider:**

#### **Special Planning Needs:**

Planning should be considered to protect interests of beneficiaries who may have spending problems, disabilities, substance abuse problems, divorce issues or are just too young to receive a significant amount of property. Special planning may be required when there are children from previous marriages. Protecting beneficiaries in these situations is a crucial estate planning goal, regardless of tax considerations.

If you wish to review any of the above items with us, we'd be happy to meet with you at your convenience. You may call the office and make an appointment, or you may call Austin, Minerva, or Gus directly at (305) 931-3200.