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July 1, 2010

Dear SKA Estate Planning Clients:

As you may be aware, the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") changed the federal estate tax. Starting in 2002, the estate tax exemption increased in increments until 2009 when it reached \$3,500,000. However, for 2010, the estate tax was repealed and was replaced by a tax on capital gains realized by beneficiaries who inherit property, subject to some exclusions. Unfortunately, the estate tax was merely suspended by EGTRRA, as there were not enough votes in Congress at the time to make the repeal permanent.

In late 2009, the House of Representatives passed a law that would have extended the \$3,500,000 on a "permanent" basis. The Senate has not been able to reach agreement on a similar law to date. The Senate Finance Committee continues to work on the law, which would apply retroactively to January 1, 2010, but we feel that given the current political climate, and the information we have been following about the Senate negotiations, that you may need to take action with regard to your estate plan to be sure your plan will work in accordance with your wishes should you pass away in 2010. If Congress does nothing this year, or in the future, the estate tax that was in effect in 2001 will return and the estate tax exemption will be \$1,000,000.

Our specific concern relates primarily to married couples whose estate plans were completed before 2002. If you have revocable trusts, it is likely that your trust included a formula clause that determines how much of the trust assets go into the exempt trust, either the Family Trust or the Bypass Trust in your trust documents. That formula clause is based on definitions found in the estate tax law. In a year when we have no estate tax law, we have no good way to interpret what that formula means. For newer plans, we included language in the trusts that took into account the fact that there is no estate tax in 2010.

Therefore, we recommend that if your estate plan was completed prior to 2002, or even early in 2002, you have it reviewed to determine whether we should draft an amendment that will interpret the formula or provide different instructions to the trustee for funding your trusts, depending on your current financial and family situation. Even for plans completed later than

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Page 2
July 1, 2010

2002, we suggest that you consider a review to confirm that the documents appropriately take into account the current "uncertain" estate tax situation, and also to determine whether the language designed for the 2010 suspension is still appropriate for your situation. In addition, there have been other changes to the law, especially the laws relating to retirement benefits payable to trusts and a brand new Michigan Trust Code (effective in April of this year), which might make a change to your trusts desirable, even if your estate plan is otherwise appropriate.

Please contact either Tony Hart at 734/747-7050 or Nancy Welber at 248/932-1230 to discuss your situation and to set up an appointment.

Very truly yours,

STEVENSON KEPPELMAN ASSOCIATES

This is a communication designed to provide timely information regarding current employee benefits issues. It does not constitute legal advice, as we must address your specific facts in rendering legal opinions. As required by tax regulations, any tax information contained in the communication is not intended to be and cannot be used for the purpose of avoiding tax penalties.