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The Wilson Group at Morgan Stanley

Eric S. Wilson, CIMC®, Family Wealth Director

"I'm no longer subject to federal estate tax. Do I need to rethink my planning?"

By Eric S. Wilson

Many families spent considerable time, effort and financial resources prior to 2010 to protect their assets from estate taxes. Those with "substantial assets" were typically counseled to establish intricate plans with irrevocable trusts, family limited partnerships (FLPs), dynasty trusts and more.

Even after these estate-planning efforts, many families purchased second-to-die life insurance policies to pay the estate tax projected to be due upon the death of the second spouse. After all, spouses with as little as $2 million in assets prior to 2004 were subject to the federal estate tax.

However, the need and efficacy of the planning that many families undertook has now been changed as a result of changes in the law. Now, per current tax law, spouses are subject to the federal estate tax only if they have a joint estate valued in excess of $10.86 million.

Each spouse also has an estate tax exemption of $5.43 million, and if the first-to-die spouse has not fully used his or her exemption, the unused portion may be transferred to the surviving spouse.

Accordingly, the surviving spouse's estate exemption amount is his or her own exemption, plus the unused portion of the first-to-die's spouse's exemption.

Yet, while this tax environment has dramatically changed, many families' plans have not.

Over the past two-and-a-half years, we have discussed with clients unwinding many estate-planning vehicles created in previous years. Why? Because of the simplicity and ease of current and future family wealth management. The estate plans put in place 20 years ago have been implemented due to the death of the patriarch and/or matriarch, and we have supported families as they have attempted to manage the newly created vehicles per the estate plan (i.e., trusts, FLPs, etc.).

The resulting tradeoff has been one or more assets and entities to manage for estate-tax savings, and, with higher ongoing costs, increased ongoing administration for some of the family members and an increase in overall stress.

To be sure, not all families have seen these plans as burdensome; and the vehicles created under these plans have had their benefits as well. **However, the drawbacks of the resulting daily, quarterly and annual to-do lists may not have been understood prior to implementation.** For example, trusts have accounting and tax issues that can be onerous to maintain, compared to owning these assets outright. Likewise, FLPs carry many annual requirements.

Additionally, some families have chosen to cancel the life insurance purchased to pay estate taxes and redeploy the refunded cash into other investments. This also reduced their annual premium expense, thereby increasing their disposable income and, in some cases, allowing annual gifting of cash to the next generation to resume instead of its being used for life insurance payments.

It should be noted that not all estate plans were put into place to save on estate taxes. Some of our blended families implemented such estate plans specifically to address bloodline/asset protection issues rather than focus on reducing the estate tax.

However, you may still have questions regarding whether or not your current estate plan should be reviewed or revised. Traditional wills, health-care and financial powers of attorney, living wills and revocable living trusts can effectively deal with the needs of many families, where the assets owned by the spouses do not exceed that $10.86 million.

Eric S. Wilson is a Wealth Advisor with the Wealth Management division of Morgan Stanley in Macon, Georgia. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Smith Barney LLC. Member SIPC, www.sipc.org. Morgan Stanley Financial Advisors engaged Worth *to feature this article. Eric S. Wilson may only transact business in states where he is registered or excluded or exempted from registration, www.morganstanleyfa.com/thewilsongroup. Transacting business, follow-up and individualized responses involving either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, will not be made to persons in states where Eric S. Wilson is not registered or excluded or exempt from registration. Morgan Stanley and its Financial Advisors do not provide tax or legal advice. Individuals should seek advice based on their particular circumstances from an independent tax advisor. CRC1257085 07/15*

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—Eric S. Wilson

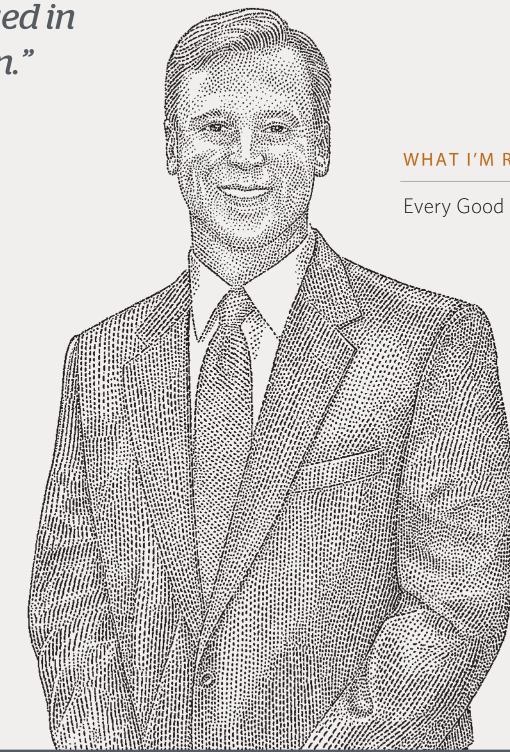

ILLUSTRATION BY KEVIN SPROULS

How to reach Eric S. Wilson

Families may reach me with questions or with interest at 877.442.5445 *or* eric.s.wilson@morganstanley.com.

WHAT I'M READING NOW...

Every Good Endeavor, *by Timothy Keller*

WHAT MAKES A GOOD CLIENT...

A first- or second- generation family of wealth that desires to improve the odds of the successful transition of its wealth to subsequent generations

MY HOBBIES ARE...

Playing tennis, upland hunting and reading, but what I enjoy most is being a husband and father

About Eric S. Wilson

Eric S. Wilson is a wealth advisor and senior vice president at Morgan Stanley, and for the past 20 years he has served the varied needs of families whose wealth has the potential to change the essential nature of their descendants' lives. Mr. Wilson began his career at Merrill Lynch in 1994, where he served until joining Morgan Stanley in 2010. For his work with affluent and high net worth families throughout the southeastern United States, he has been specially designated at Morgan Stanley as a family wealth director. Achieving this prestigious designation meant adhering to stringent quantitative and qualitative requirements set forth by Morgan Stanley and now provides him with customized and dedicated resources from around the firm, which benefits his clients by providing them with many of the same services offered by family offices. Mr. Wilson is a Certified Investment Management Consultant℠ (CIMC®), an Accredited Investment Fiduciary Analyst (AIFA®) and a member of the Association of Professional Investment Consultants. He serves on the advisory boards of the Community Foundation of Central Georgia and Children's Hospital of Central Georgia. He and his wife, Cindy, are proud parents of four sons, ages 13, 13, 13 and 6.

Assets Under Management $2 trillion (Morgan Stanley Wealth Management, as of 8/31/14)	Compensation Method Asset-based fees and commissions (investment and insurance products)
Minimum Fee for Initial Meeting None required	Primary Custodian for Investor Assets Morgan Stanley Smith Barney LLC
Minimum Net Worth Requirement $5 million (planning services); $2 million in investable assets (investment services)	Professional Services Provided Planning, investment advisory and money management services, advanced wealth transfer planning and liability management
Largest Client Net Worth $25+ million (as of 7/31/14)	Association Memberships IMCA, Fiduciary 360 (www.fi360.com)
Financial Services Experience 20 years	Website www.morganstanleyfa.com/thewilsongroup
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