Chapter XI

Planning an Estate That Involves Forest Land

A. Overview and Purpose

This chapter is intended to bring together many of the concepts and ideas discussed in other chapters and identify their application to a forest land situation. In the book, frequent reference is made to particular ideas and aspects of estate planning for these interests. This chapter will put the pieces of the puzzle together.

The discussion opens with a review of the important background information that property owners and their families should gather before beginning the planning process. This discussion will build on the broader treatment of issues that precedes it and will identify several key decisions that are involved in the plan. Each decision should be made in the early stages of plan preparation. The next portion will address application of planning strategies, concepts and techniques that are most appropriate to estates with forest land assets. The discussion will end by identifying some practical problems that arise in planning the estates of Harry and Betty.

B. Lesson Objectives

After having successfully completed this chapter, the student will be able to accomplish the following objectives:

1. Discuss and identify the important pre-planning decisions that a property owner must make before initiating the estate planning process.
2. Describe three essential decisions that are involved in estate plans involving forest land.
3. Discuss the application of property transfer, estate, and inheritance tax, gift tax and income tax considerations to estate planning situations that involve forest lands.
4. Identify the practical problems that arise in estate planning and the techniques that are available to deal with them.
5. Review the situation of a forest land owner and identify basic and business planning strategies available to the property owner.

C. Pre-planning Decisions

One of the most important points that is raised throughout the chapters of this book is that planning is the crucial ingredient to the success of any estate plan. Planning is done at several levels and each level of planning should be done in a way that coordinates with other planning decisions. Without this type of planning, decisions on property ownership, transfer methods, tax avoidance and tax payment can be haphazard. Such decisions often fail to achieve important plan goals and objectives and may be costly to the property owner and the owner's family. If reviewing earlier chapters that discuss the importance of planning will be helpful to you (particularly Chapters IV, V, VI, VII, and VIII), feel free to return to those chapters before proceeding with this chapter.

In the pre-planning phase a property owner’s first step, taken in conjunction with family members, is to gather information about estate assets that planners need to evaluate present situations and recommend actions. The second step involves preliminary discussions of the family's goals and objectives in the estate plan. Typical objectives involve a combination of personal or family decisions, property decisions and financial or tax decisions.

In the personal or family decision category, important issues involve whether to set a goal of taking care of family members, or others. Who is to be benefitted by the plan and in general terms what property are they to receive? For forest land owners, these issues also involve key decisions about the forest land assets and future plans for it. Is there a forest management plan in place? Does the plan describe a clear, direct and attainable goal in regard to the forest assets that are owned? If the plan was prepared much earlier does it allow for changed circumstances or situations that are more likely in today’s situation? Are the people who are likely to inherit the property after death familiar with the plan? What responsibilities will they have to see that the plan is completed? Will they apply the plan as it was intended to be applied? Does someone in the family want to continue to manage these assets? Is the person who will manage the forest capable of doing it successfully? Does the person have access to a complete set of advisors who can assist in making effective decisions about the forest land?

In the category of property decisions, the property owner must consider the available transfer methods to get the property to the intended beneficiary. This decision evaluates the owner's present situation and considers changes to the current arrangement that will contribute to accomplishing plan goals and objectives. Several choices are available, such as lifetime sales, lifetime gifts of a whole or partial interest, transfers to a living trust, or transfers by will. Some choices may be more efficient and less costly than others. Recognizing the choices, how they work and what they involve are central considerations in this phase of the discussion.

A third set of decisions involves financial or tax considerations affecting the property owner. Most estate planners focus on an analysis of the owner's present situation in order to identify the tax implications that arise from taking no action to plan the transfer of property after death. The reason for doing this is simple. Most people who have substantial assets and have not taken any steps to plan their estate are clearly at risk to see their property go to unintended or less deserving heirs or to pay substantial estate or inheritance taxes. By pointing out the risk such people face, planning efforts can focus on addressing these problems and avoiding them wherever possible.

Timing the planning decisions has become one of the most important elements of the plan. Let’s summarize some of the key elements of the 2001 amendments that apply over the next nine-year period:

1) Changes to eligibility requirements for reducing the value of land subject to a conservation easement are effective immediately upon passage of the 2001 amendments (June 7, 2001).

2) The exemption equivalent of the unified credit rises to $1 million on January 1, 2002 and continues to increase to $3.5 million through 2009.

3) In estates of people dying after December 31, 2001, installment payment of estate taxes will be available to businesses having up to 45 partners in a partnership or shareholders in a corporation

4) Gifts made after December 31, 2001 and before January 1, 2010 are subject to a lifetime gift exemption of $1 million. Gifts made after December 31, 2009 will be entitled to a gift tax exemption equal to the tax determined by applying the tax rates to the amount of $1 million.

5) For estates of decedent dying in 2002, 2003, and 2004, the amount of the current state death tax credit is reduced by 25% per year and is eliminated for estates of people dying after December 31, 2004. In estates of people dying after December 31, 2004, deductions for amounts paid for state inheritance or death transfer taxes will be provided.

6) The maximum rate of federal estate and gift tax is reduced to 50% of assets in excess of $2.5 million on January 1, 2002. The maximum rate continues to decline one percent per year for estate of people dying in 2003 through 2007 and then stabilizes at that level (45% of assets in excess of $2.5 million) through the end of 2009.

7) The Family Owned Business Deduction does not apply to estates of people dying after December 31, 2003.

8) The federal estate tax and the generation skipping transfer tax does not apply to transfers after December 31, 2009.

9) The maximum federal gift tax rate is reduced to 35% of gifts over $500,000 for gifts made after December 31, 2009.

10) After December 31, 2009, property passing through an estate no longer receives a step up in basis to its date of death values. Basis increase of $1.3 million for any property and $3 million of qualified spousal property are provided. Both basis increase limits are indexed for inflation adjustment.

11) The estate law is repealed for estates of decedents dying after December 31, 2009.

12) Amending provisions (1) through (11) described above have no application to estates of people dying after December 31, 2010.

Everyone assumes that Congress will act to extend the repeal or take other action, but there is no guarantee of that. From a planning perspective this situation would seem to imply that more planning decisions will be made on short-term considerations rather than long term. In some cases property owners are likely to put off planning decisions until a later time, despite the risks of doing so.

We should point out that while Congress has taken dramatic action in regard to the tax impacts of after-death property transfers, taxes are not the only reason why people are interested in these issues. All of the non-tax reasons for acting remain as important as they once were.

D. Several Key Decisions in Any Plan That Involves Forest Land

As background information is gathered for each of the areas mentioned above, the owner's attention should be drawn to several key decisions that must be made in the plan. The first decision deals with the potential taxes that could be applied to the estate in the absence of any further planning decisions being made. Over the next nine years the number of estates that are subject to federal estate taxes will decline. What happens to estates of people dying after December 31, 2010 remains to be seen. If an owner's estate potentially faces only state inheritance or estate taxes, the tax implications are easier to deal with. Maximum state inheritance tax rates are often much less than federal estate and gift tax rates were before the repeal. In addition, some state laws do not impose taxes on some types of property, such as insurance proceeds, even if the decedent’s estate is the beneficiary or the decedent was the owner of the policy.

Another key decision deals with the future of the forest land and any business activity associated with that land. What does the owner intend to happen to the business? Will the forest land continue to be an important component of the business? Should the business be maintained at all, or even some, cost to the heirs who inherit it? Should the people who inherit the business be given the chance to decide what to do with it? Business owners who feel strongly enough about continuation of the business to make it a central feature of their estate plan may have several opportunities under both state and federal law to lessen the financial impacts of inheritance and estate taxes on meeting their goals. Valuing land at its use value rather than fair market value is an opportunity that even small estates can use to save inheritance taxes as some state inheritance tax laws recognize this technique. For those estates that qualify and elect to take advantage of this opportunity, many provisions require that use of the land remain in a qualifying use or face the loss of the tax saving gained by using the provision. Special use valuation of forest land for federal estate tax purposes requires that farmland being valued be transferred to or purchased by certain qualified heirs who are found in a defined class of people. Failing to find a member in that class of people who is willing or able to acquire the property and continue the use results in losing the opportunity to use this provision. Once the qualified heir inherits or acquires the property, that heir must continue to be at risk financially and materially participate in the qualifying use on the property for the recapture period or face the loss of the savings gained through use of this valuation provision. The requirement of material participation limits the qualified heir's choices in the recapture tax period.

The Family Owned Business Deduction will be repealed in the near future and remove it as an effective tool. For those who take advantage of it, however, key aspects need to be understood. Eligibility requirements for the Family Owned Business Deduction are similar to the requirements for special use valuation, but there are key differences. Both require that the decedent or a member of the decedent’s family must materially participate in the family-owned business for five or more of the eight years before the decedent’s date of death, retirement, or

disability. Both provisions require that a qualified heir continue the qualifying use or family-owned business or face having a "recapture tax" imposed on the qualified heir who triggers a recapture event during the ten-year "recapture tax period" that will continue often the tax is repealed. An important difference between the two provisions is that a qualified heir can include an "active employee" under the family owned business deduction rules, an opportunity that is not available under the special use valuation provisions.

If use of these opportunities reduces the amount of tax due, but does not eliminate it, there are other opportunities under some state inheritance tax and federal estate tax laws that allow payment of the tax in installments over time. Under the federal provision this can be up to 14 years and 9 months from the decedent's date of death. These approaches are intended to enable an estate to ease the burden of inheritance and estate taxes imposed on the business assets and lessen the need to sell business assets to pay inheritance taxes in a timely manner.

Another key decision is to decide who is to receive the property after the owner's death and the most efficient and effective way to accomplish the transfer. Lifetime decisions concerning ownership forms impact on the transfer of property after an owner's death. Joint ownership with the right of survivorship and living trusts are examples of lifetime decisions that involve the property owner in the process of deciding what will happen to his or her property after death. Drafting a will is a similar planning decision that focuses its attention on the amount of property owned by a person at his or her death, although the owner has the right to change the will at anytime during his or her life. A final consideration involving the transfer of property is that the failure to act during lifetime is also a decision to allow the transfer of property to be made under provisions of the intestate law of the state where the property is located. In effect, each of us already has an estate plan in place. The plan can be either one that is specifically prepared for our personal situation, or one that others have prepared for us on the assumption that this is what we would have wanted to do.

E. Strategies to Employ in Planning Forest Land Estates

The following discussion of planning strategies is divided into two parts, the first being those strategies to apply in all cases. This part will be referred to as the "basic strategies." The second part refers to those strategies to employ where use of the forest land can meet the requirements for being considered a trade or business. This part will be referred to as the "business strategies."

Each of these strategy discussions will focus on the objective of reducing federal estate taxes that are determined to be a threat to this estate.

Basic Strategies:

Exemption Equivalents of the Unified Credit.

Objective: Shelter as much property as the law will allow each property owner to shelter.

Perhaps the most important strategy to employ in planning forest land estates that are subject to federal estate tax is to take full advantage of every opportunity to use the exclusion equivalents

and available credits in the estate of each spouse. Once a taxable estate exhausts the exclusion equivalent to the unified credit, state death tax credit, and allowable deductions, the estate will be subject to tax at an increasing rate of tax. If both spouses take full advantage of their exclusion equivalents, saving federal estate taxes will be significant. Owners can increase their use of the exclusion equivalent by transforming ownership of jointly owned assets into individually owned assets that approximate the value of the exemption equivalent. At the death of each spouse this property can pass to heirs other than the surviving spouse if the spouse has independent means, or it can pass to a trust in which the spouse has only a limited interest that will not result in the property being included in the spouse's estate at his or her death. The purpose of this approach is to create a gross estate at the death of each spouse to which the exclusion equivalent can be applied. Full use of the exemption equivalents in the estates of two spouses will protect up to $7,000,000 of estate assets for decedents who die during 2009.

Taking/Keeping Property Out of a Gross Estate

Objective: Consistent with plan goals and objectives, keep as much property as possible out of the calculation of the gross estate for federal estate taxes.

A technique that should be considered by any estate that is close to or above the amount of the exemption equivalent and state death tax credit is to carefully examine those property ownership situations in which property can provide benefits to an intended beneficiary, but that will not be included in the beneficiary's own estate when that arises. For example, creating ownership of a life insurance policy in an irrevocable trust will allow the policy proceeds to benefit those intended without having to include the policy proceeds in the estate of the person whose life is insured. Using a by-pass trust to take advantage of the first spouse's own exclusion equivalent while providing lifetime income support to a surviving spouse is another example of careful planning to benefit a surviving spouse while taking full advantage of allowable exclusion and credits in each estate.

Conservation Easements

Objective: Reduce the size of the federal gross estate and serve a conservation purpose through the transfer of a conservation easement

Another example of other action that impacts on estate transfer and tax issues is the role that a conservation easement or transfer of qualified conservation contributions may have in an estate plan. Such transfers can be sold, gifted, or a combination of sale and gift (sometimes referred to as a "bargain" sale).

Transfer of a conservation easement may have the double benefit of reducing the size of the estate at the time of the transfer and later when the remaining interest in the property is valued for estate and inheritance tax purposes. In terms of valuing property that is subject to such an easement, the limitation of the property's use will be an important factor in determining the fair market value of the property as of the date of the owner's death. In areas where land is subject to pressure from development, these restrictions can be expected to reduce the fair market value of

restricted land compared to unrestricted land. Lowering the fair market value will lower the value of the estate subject to inheritance tax and the inheritance and estate tax as well. The sale of an easement, however, will have current income tax impacts for the landowner that must be evaluated before a decision is made.

Owners who sell conservation easements must consider the income tax impact of the sale and the best use of the funds received from the sale. If the funds are invested or used to purchase additional land, the size of the owner's estate may not be dramatically reduced, or may even be increased. One estate planning opportunity that involves the use of these funds is to distribute the funds among children who will not inherit the land at the owner's death. A second opportunity is to use the sale proceeds to purchase insurance on the life of the property owner and name the children as beneficiaries. This provides an opportunity to leverage the sale proceeds for the benefit of the children. For this second technique to be successful, however, the incidents of ownership of the insurance policy on the property owner's life must be held by someone other than the property owner. This will avoid the insurance proceeds being included in the deceased owner's estate that would defeat the tax savings purpose of the plan. If a property owner is in ill health, such that he or she cannot purchase life insurance at normal rates, any attempt to buy life insurance may be impossible or uneconomical.

Qualified conservation organizations that meet Internal Revenue Service requirements offer an income tax charitable deduction to those who donate qualified conservation contributions from their property to the organization. This enables owners of valuable land to follow a path to preserve the use of land while gaining a measure of income tax saving.

In the case of these other opportunities, it is important to remember that a careful analysis must be made of the benefits and disadvantages associated with these techniques before proceeding. As mentioned earlier, the desire to save taxes may lead to decisions that save taxes, but also create other problems. Before reaching a decision, it is important to thoroughly and carefully evaluate choices and the advantages and disadvantages they offer to the owner's specific situation.

General Gift-Giving Considerations

***Objective**:* Reduce the size of the federal gross estate by fulfilling the personal desire to support a deserving person or charitable institution.

A technique to consider in estates that are subject to federal estate taxes involves opportunities to lower the size of the federal gross estate by gift-giving programs. Such programs are intended to transfer property during lifetime to heirs who would eventually receive the property after the owner's death. To implement a gift-giving program several considerations must be addressed. First, to be considered a gift the owner must give up dominion and control of the property. Understandably, some people will be unwilling to do that. Therefore, those who are reluctant to part with control of their property are not good candidates for gift-giving programs. Second, the $11,000 annual exclusion amount per person, per year for federal gift tax purposes and the soon to be applicable lifetime gift exemption limit the amount by which an estate can be reduced

quickly. Third, in order for the annual exclusion to apply, a gift must be a gift of a present interest. To satisfy this requirement, special care must be taken to make gifts to minors or certain gifts in which the beneficiaries have "Crummey" withdrawal powers. Failing to meet the guidelines may result in loss of the exclusion. Fourth, state inheritance tax law may provide for treatment of gifts that is coordinated with the federal gift tax annual exclusion. Fifth, gifts to charities provide some unique opportunities to people who are interested in reducing the size of their estate and obtaining tax benefits. Gifts to charities can take many different forms and be made during lifetime or after death, and can be made in a full or partial interest. Sixth, a gift of property transfers the current owner's income tax basis in the property to the recipient. A recipient who intends to sell the gifted property may face substantial income taxes on gain recognized from this sale. Seventh, for federal gift tax purposes, there is no special use valuation opportunity similar to that which exists in the federal estate tax law. Gift taxes are calculated on the date of gift fair market value of the property given away.

Strategies Available to Forest Land Involved in a Trade or Business

A number of strategies can be employed to assist in continuation of a recognized business activity that involves forest land.

Business Organization

Objective: Facilitate the transfer of an active trade or business at lowest transfer costs, or at most a manageable cost to the recipient.

If there is someone who is interested in and capable of continuing the business, the first strategy is for the owner to consider restructuring the way the business is owned to allow other people who would be expected to inherit the property to share in its value today and build an ownership interest for the future. Separating the ownership interests transfers assets out of the original owner's estate and sets up the opportunity to take lack of marketability and minority interest discounts that will further reduce the size of the estate and lower taxes. Whether the choice is one of the partnership forms, one of the corporation forms or the hybrid limited liability company, organizing the business provides important opportunities to shift ownership of assets from senior owners to younger generation owners and reduce the size of the senior owner's estate at his or her death.

Special Use Valuation

***Objective*:** Reduce the size of the federal gross estate through valuing the property at use value rather than fair market value; assist qualified heirs in obtaining ownership of real estate used in a closely held trade or business.

Another strategy to employ is to evaluate the benefits offered by opportunities to value property for inheritance and estate tax purposes at use value rather than fair market value levels. Reducing the taxable portion of the estate by up to $820,000 under current rules can save considerable amounts of tax. As the exemption equivalents rise, fewer and fewer businesses will

turn to this tool. Those who do will be committed to continuing the family business. In considering how this opportunity will be used, an important question to ask is, will the qualifying requirements can be met? Is it realistic to think that the qualifying use will continue long enough to avoid losing the tax benefit gained by use of the provision? If there is some doubt about this, the next question to ask is whether the qualified heir is aware of the obligation to pay the recapture tax if it is triggered

Family Owned Business Deduction

Objective: Lower the size of the federal gross estate; assist a qualified employee to acquire assets and continue the business. Remember that this opportunity is lost after 2003.

The family owned-business deduction has several opportunities. First, it supplements the unified credit and shelters a combined maximum amount of $1,300,000 from federal estate tax. Second, it provides an alternative means of reducing the value of the real and personal property business assets in the estate. Third, it also provides an additional opportunity in those cases where requirements for special use valuation and family owned business deduction can be met. If the requirements for special use valuation can be met, it is likely that the requirements of the family owned business deduction can also be met. The reverse situation is not true, however, if the only available qualified heir is a non-family member employee. Fourth, in many cases, estates can seek opportunities to combine these deduction amounts to achieve even greater reductions in the amount of property subject to tax. This strategy also has a limited lifespan that will likely lead to decreasing interest in it.

Installment Payment of Federal Estate Tax

Objective: Lessen the burden of the federal estate tax by stretching out its payment over time while taking advantage of favorable interest rates on the unpaid balance.

If use of these techniques lowers the tax but does not eliminate it completely, the portion of the tax due that is attributable to the business interest can be deferred under installment payment arrangements that are available under the federal estate tax law and some state inheritance tax laws. Although the obligation to pay the tax may not be very pleasing, a long term payment plan at attractive interest rates may lessen the impact of the payment obligation.

F. Practical Problems in Forest Land Estate Plans

The most common problem associated with planning estates is the complexity of the issues and the techniques that are involved. The inheritance, estate, gift, and income tax issues are often independent of each other such that steps to save taxes at one level may not save taxes at another level. The income tax treatment of proceeds from the sale of a conservation easement and the lack of coordination between the annual exclusion for federal gift tax purposes and the treatment of gifts for state inheritance tax are very good examples of this problem. Being a complex issue with many facets and implications, some people are turned away thinking they could not possibly understand it. In addition, they do not feel comfortable with many of the advisors who

offer their services to business owners and operators. A common complaint is that advisors do not understand forest management problems and, therefore, their advice cannot possibly be valuable.

A second problem that relates to estate planning in general is the fact that most people are apathetic when it comes to something that is perceived to be a future issue. Opportunities can be lost through a failure to act while there is still time to do so. Another aspect of this problem is the psychological barrier that discussions of death and dying create for some people.

One experience that seems to motivate people to overcome this barrier is seeing a large portion of another person's estate lost to inheritance and estate taxes, or their property transferred to someone who is considered undeserving of it. The drive to avoid taxes is a common motivator and often the most successful one. Seeing someone else's problem prompts others to act to avoid being placed in the same situation someday. This attitude is often expressed in terms, of "I don't want that to happen to me." While no one wants to put themselves in jeopardy, control of the situation is in the hands of the owner. Taking action can achieve results. Making informed decisions improves results.

Each of these problems can be overcome by a person who is willing to learn about the subject and take the action needed to affect their personal situation. Getting started is the most difficult part, but once started completing the plan is easier to achieve.

G. Student Exercises

Short Essay Questions

Please read the following fact situation carefully and then respond to the questions that are asked at the end of the situation. Your answer need not be long or involved, but it should be clear and concise. If you want to refer to important facts in your response, please feel free to do so.

The fact situation to which these questions refer is also found at the beginning of Chapter II.

This pattern describes the situation of Harry, Betty, and their four children. Harry lives with his wife, Betty, and their four children ages 17 through 29. Harry and Betty work together in a farm business for over 35 years. They started by farming the 200-acre main farm and implemented a forestry management plan for the 85-acre woodlot all of which Harry inherited from his parents when they both died in 1969. A few years later, Harry and his brother, Joe, inherited a parcel of land as the sole heirs of their older brother, Dick. Dick's property included an additional tract of 150 acres, 75 acres of which was wooded and located adjacent to a real estate development. All of these wooded acres included mixed hardwood species of an average age of 50 years. The average value of the wood on the wooded acres is $1,500 per acre.

After Dick's death, Harry took over farming operations on Dick's land and began to examine the potential opportunities that the additional wooded acreage presented. Being familiar with

managing forest acreage to achieve its maximum potential, Harry began to include the added acreage in his current plan.

Joe had no interest in the operations on Dick's property, as he was a successful businessman involved with his own business.

Residential development now completely circles the main 200-acre farm and the additional 150 acre parcel. As a result, land values soared upward. Harry has been approached by several people about selling the farm, but he graciously expresses no interest in selling. Developers are particularly interested in the wooded portion of the tract as it provides an ideal setting for a wooded residential development. Three years ago the combined value of the main farm and woodlot and Harry's interest in the additional parcel was $3,165,000. The 150-acre parcel alone was worth $1,600,000.

Harry and Betty considered that they owned the main farm and additional properties jointly, although the deeds to the properties list Harry's name alone as owner. The 150-acre parcel was distributed to Harry and Joe after Dick's death and ownership of the land passed to them through Dick's estate. In addition to the farmland, Harry and Betty accumulated over $900,000 of machinery, livestock, and equipment in their farming operation.

Harry prepared a will thirty years ago and this plan transfers all of his property to Betty after his death. Harry also assumed one or more of his children would return to farm and keep the family tradition alive. Family tradition was something that made Harry very proud. He wanted the land to stay in the family and he didn't view himself as the person who should make decisions about its future.

Harry and Betty's oldest child works on the farm after earning a degree in dairy science with a minor in forestry. This child has big plans for the future of the farming operation. The second oldest child travels throughout the country as a public accountant for a national firm. This child is not interested in the production side of agriculture, but is very aware of the value of Harry and Betty's holdings. The third oldest child graduated from college this year and is deciding what the next step should be toward some type of a professional career. The youngest child is a high school senior who wants to go to college to earn a degree in wildlife science

Harry and Betty do not spent much time wondering what will happen to their property if either or both of them die. Why should they fill out information about their property and pay outrageous fees to lawyers or others who are only interested in finding out what they own? It's none of their business! At one time Harry considered a partnership with the child who is on the farm, but nothing was done about it. Harry didn't think the child was ready to enter a partnership, and she knew she wasn't really interested either.

Harry and Betty carefully guard their property because they are concerned about their financial future. Medical care costs are rising and it is difficult to set aside a specific amount of property to feel secure about their future. Giving their property away is not a subject that either want to

discuss. Harry and Betty work hard for what they have. Why give property away to someone who could waste it, or squander its value?

Neither Harry nor Betty had an accurate idea of the financial value of what they owned. They considered only their bank accounts and certificates of deposit as available funds. In these accounts they had a total of $65,000 that was in joint names.

Harry never thought much about insurance or retirement planning and has less than $20,000 in life insurance protection. His income from farming is modest, but Betty and the kids are taken care of to his satisfaction.

Harry and Betty are concerned about the future of the farm and timber business and the value that the growing trees will bring in the next few years. The children are concerned about these issues as well. There has been only one family discussion about the businesses and what Harry and Betty would like to see happen to it when they are gone.

The following set of questions will ask you to put yourself in the position of Harry and Betty. The focus of the questions is to ask you to consider the steps that Harry and Betty could take during their lifetime to avoid some of the problems that a sudden and unexpected death would have on their family.

1. If Harry and Betty begin to plan their estate, what personal, property, and financial factors should they consider in setting their family goals and objectives?
2. If Harry dies accidentally and Betty survives, which estate and inheritance taxes will be imposed? What do you estimate the amount of these taxes to be?
3. In planning Harry and Betty's estate, what basic and business planning strategies would be available to manage the farm business and deal with the tax issues they face?
4. In transferring the property after Harry's death, what choices do Harry and Betty have to plan for the transfer? Which transfer method would be the most efficient?
5. Which of the basic and business estate planning strategies would you employ in the situation of Harry and Betty to deal with the problems and issues that you see in the fact pattern?