

GEORGE STEINBRENNER'S WILL

FIVE SCENARIOS TO CONSIDER FOR PROPER ESTATE PLANNING ADVISEMENT

By Edward Mendlowitz, CPA/ABV, DABFA

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WHITE PAPER

Remember: Estate planning is a process to assure proper delivery of assets to the rightful heirs; not how much taxes you want to save.

**-Edward Mendlowitz
CPA, ABV, PFS**

This white paper will inform the reader about five different estate tax scenarios, using George Steinbrenner's will as an example. In light of recent legislation changes, the 2010 estate tax situation presents new challenges and opportunities for advisors to assist clients in properly arranging their affairs.

This white paper is for informational purposes only. It is advised that you discuss your business's individual needs with a Certified Public Accountant to assess how your business must respond to changing market conditions within your industry.



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George Steinbrenner, revered owner of the New York Yankees franchise, passed way on July 13, 2010, leaving a wife, two sons and two daughters. I don't know what is in George Steinbrenner's will and probably won't ever find out; but we—professional financial advisors—could use him as an illustration of how Congress' lack of insight has allowed his estate to escape federal estate taxes.

Scenario 1

If George had a conventional will, there would be a clause leaving an amount equivalent to the federal exemption to his children.

Last year this was \$3,500,000. This year it is zero, so they would inherit nothing now.

Scenario 2

In a conventional will, his wife would be left everything (either directly or in a QTIP trust) over the federal exemption amount estate tax free with the children inheriting from her when she died.

His wife will get everything. This year there is no estate tax. Presumably she will die when there will be an estate tax, so everything left to her would eventually become taxed.

Scenario 3

If George would have left all the funds this year to his children they would inherit his

fortune with no estate tax until each child died.

To provide for the wife, the funds could have been left to the children in a trust where his wife would receive all or a portion of the income with the principal passing estate tax free to the children upon her death. To further keep the funds free of estate tax, the funds could remain in the trust after his wife dies with trust assets passing to succeeding generations.

Scenario 4

George could have had a provision in the will leaving everything to his wife expecting her to disclaim (renounce) all or a portion of her inheritance.

I don't believe there are many widows that would understand this and would actually renounce part of their inheritance. The disclaimer is something that needs to be done within nine months after death. There also has to be great care in handling the assets during that period that needs to start at the point of death. This requires careful advance planning, education, and arranging of affairs to accomplish and benefit from this strategy.

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Scenario 5

The will could leave a portion of the taxable estate to a favorite charity. In 2010 this would be nothing.

The opportunity for us is to request that the client retain us to review their will and other parts of their estate plan to make sure that it complies with the current tax situation; to show them how their estate would actually be distributed based upon their existing will and trusts; and how it would occur next year assuming there is no change in the tax law.

We can also assist in having the client arrange their asset structure to facilitate a disclaimer. A simple example would be to have the operating accounts kept with no more than a year's supply of funds with the balance that would presumably contain the bulk of the disclaimed assets in a segregated investment account. A third thing we can do is make suggestions of changes that should be made in their will so that their wishes will be accomplished as they desire.

Remember: Estate planning is a process to assure proper delivery of assets to the rightful heirs; not how much taxes you want to save.

About the Author

Edward Mendlowitz, CPA, ABV, PFS, is a partner in the New Brunswick, NJ, office of WithumSmith+Brown, PC, and has over 40 years of public accounting experience. He is a licensed certified public accountant in the states of New Jersey and New York and is accredited by the American Institute of Certified Public Accountants (AICPA) in business valuation and as a personal financial specialist (PFS). Ed is also admitted to practice before the United States Tax Court and has testified as an expert witness in federal and state court regarding business valuations. Mr. Mendlowitz has authored 18 books on business and accounting, and is a frequent presenter on estate planning. He can be reached 732.828.1614 or emendlowitz@withum.com.



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