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Attorneys

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Dear Estate Planning Client:

As you may be aware from news reports, in 2010 the federal estate tax is no longer in effect, replaced by new capital gains rules. However, under current law, it is scheduled to return in 2011. It is also possible Congress will act during 2010 to reinstate the estate tax, perhaps retroactively.

When the estate tax exemption returns in 2011, the per person estate tax exemption could be set at \$3,500,000 per person or higher. However, under present law, the exemption is set at \$1,000,000.

At present there are a number of estate tax reduction opportunities (grantor retained trusts, family limited partnership/limited liability companies, sales to grantor trusts, etc.) which are expected to be eliminated or significantly curtailed later this year. If your total estate exceeds \$1,000,000, please contact me promptly if you wish to pursue any of these tax minimization opportunities.

I would also like to mention that your estate planning documents should be reviewed if there have been changes in your personal, family, or financial situation. In particular if you or members of your family have significant creditor/liability issues, asset protection planning should be considered. Also if a child/grandchild has a mental or physical condition that may result in a need for SSI, Medicaid, or other public assistance, this contingency should be planned for in your estate planning documents with a special needs trust.

Further, if you own real estate where there is a significant difference between the taxable value and the state equalized value, there are planning opportunities currently available, as a result of two decisions by the Michigan Court of Appeals, to avoid the "uncapping" or increase of the taxable value to the state equalized value at the death of the survivor. If the property is family legacy property you want to continue in the family beyond your generation, planning for this can be done with a limited liability company, a trust, or a joint property arrangement.

Two final matters are pertinent. The first is the new capital gains rules which apply to the beneficiaries who receive assets from a person who dies in 2010. Thus it is important at this time is to save all records, including cancelled checks, which show what you paid for various assets, particularly jewelry, antiques, real estate, home improvements, boats, etc.

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Second, after the estate tax exemption is finalized by Congress and the President for the years 2011 and beyond, further consideration will need to be given as to whether any estate tax planning is necessary in your estate.

I would have preferred to have personalized this letter and to have first reviewed your estate planning documents and file. However, time constraints and the number of clients to be notified prevent this as a practical matter.

If you have questions or want to schedule an appointment, please call.

Very truly yours,

SCHOLTEN FANT