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Three Questions
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Eileen Sharkey, principal Sharkey, Howes & Javer, Denver-based financial planning firm, speaks with Denver Post reporter, Aldo Svaldo.

Crystal Ball Cloudy on Estate Taxes

Q: Will Congress resolve the limbo over the estate tax, which went away this year but is scheduled to come back next year on estates worth \$1 million and up?

A: Everybody was convinced last year that congress would act and wouldn't let the estate tax expire and give everybody who died in 2010 a free ride. There is a fair amount of uncertainty. Once school of thought says they will reintroduce it with the \$3.5 million exemption that was there last year. There are those who say they will let quietly die and we will have the \$1 million exemption.

Having an exclusion of \$1 million probably would irritate a lot of folks. If you are putting money into your 401(k) every year and have a house worth \$500,000, it adds up quickly. Theoretically, dying this year gets you out of paying any federal estate tax. Nobody is willing to bank on that. If Congress changes the rule, they will likely make the changes retroactive.

Q: Do you think higher taxes might push retirees to spend the inheritance?

A: I used to dabble in actuarial science. One hundred is the new three score years and ten. People are living a lot longer. If you are thinking of giving an inheritance to children, they might be 80 before they get it. That takes out all of the fun.

There are a lot of issues that come up. Are your parents going to need help? Are they well taken care of? Will they be living in your basement? All the discussions about money become more critical in a downturn. You have to have the conversation.

Q: Given all the uncertainty on this issue, how can people plan?

A: You need beneficiary designations that are watertight. You need medical powers and durable powers of attorney and HIPPA resolutions in place. You need to make sure people have copies of them. Everybody is anticipating there will be much higher taxes. But like everything, it won't be the end of the world. We have seen the lowest tax rates we will probably see in 50 years.

Edited for length and clarity by Aldo Svaldi, reporter Denver Post.