The beginning of a new year brings new changes to federal taxes—estate taxes, that is. On Jan. 1, 2011, federal estate tax laws are expected to undergo major adjustments. If your estate is worth more than $1 million when you die—called the exemption level—it may be subject to estate taxes in 2011, unless Congress steps in before then to increase that amount. This year, federal estate taxes were repealed, meaning that for everyone who died in 2010—regardless of how wealthy they were—their estates didn’t pay a penny of federal estate taxes. But 2011 will be different.

What Does This Mean for You?
It has been several years since the threshold level has been as low as $1 million. Even with some economic downturns, chances are you own more assets than you did a few years ago, and the ones you owned back then are likely worth more now than they were before. So, it’s very possible your estate will now be subject to federal estate taxes—even though it hasn’t been for awhile because of the higher threshold levels of past years. This means it may be necessary to revise your estate plan.

Estate Planning: There’s No Better Time Than Now
Most of us know that we need an estate plan to determine who gets what from our assets when we are gone. Plus, we know that without a valid will, we are leaving it up to the state to determine who gets the majority of our assets and belongings after we die. Now, with the threshold heading to the $1 million mark, for many of us, estate planning will encompass more than just who gets what after we’re gone—tax planning will now be a necessary part of our plans.

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Major Federal Tax Law Changes Affecting Estate Planning in 2011

- Federal estate taxes were repealed just for the calendar year 2010, but these taxes will reappear for 2011 and thereafter. The exemption level will only be $1 million in 2011, which means for every dollar you own above the $1 million exemption, it will be subject to federal estate taxes upon your death. The top federal estate tax rate will be 55 percent in 2011.

- The exemption level for generation-skipping transfer taxes will also change to $1.12 million, plus an index for inflation since 2003. The federal generation-skipping transfer tax rate will be 55 percent. This means that if you leave more than $1.12 million in property to a grandchild or anyone two or more generations younger than you, your estate will incur a 55 percent tax on the inherited property.

- The top gift tax rate will be 55 percent. The annual gift tax exclusion—the amount you can give to anyone gift tax–free each year—will remain at $13,000 in 2011 ($26,000 for married couples).

- The carryover cost basis tax structure for inheritors in 2010 will expire. In 2010, those inheriting assets inherited them at the same—and likely decreased—cost basis for which the deceased originally purchased the asset. In 2011, beneficiaries once again will inherit assets at a cost basis equal to the fair market value as of the date of the deceased’s death, or in some cases, six months later.

Your Next Steps
Review your plans with your estate planning attorney as soon as possible to determine if any part of your plan needs updated. If you have questions about upcoming tax law changes, please contact your estate planning attorney or Jennifer McAfee at (706) 379-5318 or jmcafee@yhc.edu.

An Opportunity for Helping Others
Never become so engrossed in legal and tax complexities that you lose sight of the people and charitable organizations you want to help. If you believe in what we do and you’d like to save on future federal estate taxes by leaving a gift to us in your estate plans, you can leave a lasting legacy in the most flexible way possible. Consider revocable options such as including us in your will or designating us as the beneficiary of a percentage of your retirement plan assets.
Because of the uncertainty surrounding tax legislation for 2011, there are many reasons why it may be beneficial to consider making a gift to Young Harris College before year-end. If you are worried about increased tax liability in the near future, here are three ways you can protect your assets while supporting YHC.

Take Advantage of the Roth IRA Conversion
This year, Congress enacted legislation that allows individuals to shift money from a tax-deferred individual retirement account into a Roth IRA. Roth accounts are created with after-tax money and are subsequently used to provide tax-free income when a person retires. While this is a financially prudent approach for many, the taxes associated with a conversion may be costly. There is good news though—making a gift to YHC can reduce the cost of a Roth IRA conversion by offsetting all or part of the taxable income.

Consider a Gift of Tangible Property
Gifts of cash and securities are not the only way you can support Young Harris College. For instance, a gift of real property may prove beneficial to some. By transferring an unused investment property or a personal residence now, you have the potential to minimize your capital gains and/or estate tax liability.

Make a Gift of Appreciated Stock
Many individuals have benefited from the recent recovery in the stock market. Taking into account the possible increase in capital gains taxes next year, it may be wise to give a gift of appreciated stock to Young Harris College. By giving appreciated stock, you will enjoy the benefit of a tax deduction with the added bonus of avoiding the capital gains tax that would be owed if you were to sell the stock.

The W. Harry and Harriet Hill Society for Planned Gifts
Donors who designated YHC as the beneficiary of a planned gift, such as the ones mentioned in this newsletter, become members of the W. Harry and Harriet Hill Society for Planned Gifts. If you would like more information regarding the various planned giving options available to alumni and friends, please feel free to contact Jennifer McAfee in the Office of Advancement at (706) 379-5318 or jmcafee@yhc.edu. If you have already made a planned gift to YHC, we encourage you to inform us so we can include you in the Hill Society and in future planned giving seminars.

Visit Us at Our New Website Today!
Up-to-Date Planning Information at Your Fingertips
www.yhc.edu/plannedgiving
You'll find the most complete resource on the Web for answering your estate and charitable planning questions, such as:
- How can I make a difference at YHC?
- What gift options are best for my situation?
- What stage should I be at in my estate planning, based on my age?
Once again, the close of another year is fast approaching. It’s 100 percent predictable, but doesn’t it always seem to catch us off-guard? With all the festivities, there is a lot to look forward to, but it also makes for a busy season.

Commonly, this is also a time when we begin to put a lot of thought into gifts for loved ones. Have you ever settled on a less-than-perfect gift so you could finally say you were done with your holiday shopping? You’re not alone.

A New Twist to Your Holiday Giving
This holiday season, consider adding “charitable gifts” to your list of giving ideas. If any of your loved ones value our mission, you could make a significant gift to us in their honor. Your gift will make a difference at Young Harris College and it will certainly mean a lot to your loved ones.

Ways to Give
If you would like to make a year-end gift to YHC in a loved one’s name, following are five assets you can use to fulfill your intentions. (You can also receive tax benefits from your gift if you itemize.)

- Cash
- Securities that are worth more than you originally paid for them
- A life insurance policy you no longer need
- Real estate you do not want to manage any longer
- Tangible personal property

If you have questions about honoring a loved one with a gift to YHC this holiday season, please contact us. We would be happy to help you, at no obligation.

Want to Know More? Start Here.

Get a FREE guide! Return the enclosed reply card to receive a copy of Your Personal Estate Planning Record.

Contact us or visit www.yhc.edu/plannedgiving to learn more about supporting YHC and how your gifts can make a difference to our students.

Sign up for our free estate and gift planning eNewsletter by returning the enclosed reply card today.

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