

SAHN WARD & BAKER, PLLC

ATTORNEYS AT LAW

THE OMNI

333 EARLE OVINGTON BOULEVARD

SUITE 601

UNIONDALE, NEW YORK 11553

TELEPHONE: (516) 228-1300

TELECOPIER: (516) 228-0038

E-MAIL: INFO@SAHNWARDBAKER.COM

WWW.SAHNWARDBAKER.COM

SPECIAL COUNSEL
THOMAS MCKEVITT**

COUNSEL

JOSEPH B. ROSENBERG

**Admitted in New York, New Jersey, District of Columbia

MICHAEL H. SAHN

JON A. WARD

DANIEL J. BAKER

RALPH BRANCIFORTE

JOHN P. CHRISTOPHER

JASON HOROWITZ

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To our Clients and Friends:

Two important changes to the Federal estate and gift tax laws became effective as of January 1, 2009.

The first change allows you to make annual gifts of up to \$13,000 to as many individuals as you wish without incurring a gift tax. The gift limit for 2008 was \$12,000. Unlimited gifts are still allowed for medical and educational purposes. Married couples can each make annual gifts to an individual, allowing them to give up to \$26,000 in 2009.

A more significant change is the increase of the Federal estate tax exemption from \$2,000,000 to \$3,500,000. This means that an individual may pass a total of up to \$3,500,000 upon his or her death to one or more beneficiaries (family members, children, grandchildren, nieces, nephews, friends, etc.) without the imposition of a Federal estate tax. Assets left to a surviving spouse who is a U.S. citizen or to a qualified charity continue to pass tax free without any dollar limitation. With proper planning, a married couple will be able to leave up to \$7,000,000 to their heirs without incurring a Federal estate tax.

This increase to \$3,500,000 is scheduled to last for only one year but it is anticipated that Congress will extend the exemption to 2010, and perhaps beyond. Obviously, the current financial crisis makes it difficult to accurately predict what will happen to the estate tax laws in future years.

Unlike the Federal estate tax laws, most state estate tax laws have not changed. In certain situations, a state estate tax, but no Federal estate tax, will be imposed if assets are left to individuals other than a surviving spouse, or to a trust for the benefit of the surviving spouse.

In New York State, the estate tax exemption amount is only \$1,000,000. If, for example, a New York resident dies and leaves an estate worth \$3,500,000 to his children, his estate will incur no Federal estate tax but will incur a New York estate tax of \$229,200. Most Wills that I have prepared on behalf of my married clients include provisions intended to minimize Federal and state estate taxes. Feel free to call me or send an e-mail and I will let you know if your current documents contain the appropriate provisions or if they need to be modified.

January 5, 2009

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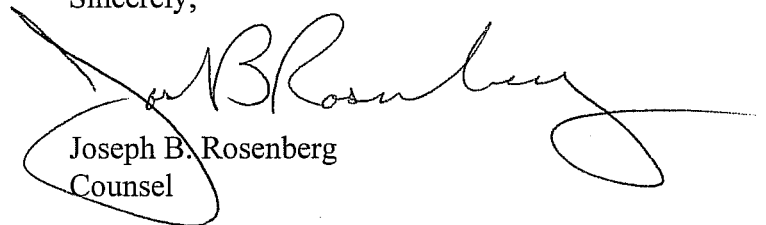
Certain states, including Florida, will exempt the entire \$3,500,000 from estate tax. New Jersey exempts only \$675,000 from estate tax while the Connecticut exemption appears to be remaining at \$2,000,000.

Although the downturn in the economy has affected all of us, there are some for whom the time to shift assets from one generation to the next could not be better. The decrease in the value of real estate, stocks, bonds and closely-held businesses, in addition to historically low interest rates, offers many estate planning opportunities. Transfers of assets that are depressed in value can be made by outright gifts and through more sophisticated planning techniques including Grantor Retained Annuity Trusts, Qualified Personal Residence Trusts, Charitable Lead Trusts, sales to Intentionally Defective Grantor Trusts and intra-family loans, to name a few.

A Will or a Living Trust is the primary estate planning document for most people. Estate planning objectives change over time and I encourage you to review your existing documents and confirm that your objectives continue to be met. This review should extend beyond the tax planning provisions and includes the appointment of Executors, Trustees and Guardians, trust provisions for children and grandchildren, provisions for contingent beneficiaries if there are no surviving immediate family members, and other personal wishes and desires. Similarly, health care directives and powers of attorney should be reviewed periodically.

My best wishes to you for a happy, healthy and prosperous New Year, and I look forward to continuing to assist you with your estate planning needs.

Sincerely,



Joseph B. Rosenberg
Counsel

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