

KOCH'S KORNER – April 4, 2020
From Koch Law Firm (KLF)^{1,2}

COVID-19: Silver lining -estate planning for Minnesota residents whose net worth may exceed \$3 million at death

It goes without saying that the COVID-19 outbreak as had a significant negative impact on the stock markets. However, the longer the COVID-19 outbreak lasts, the more likely it will have a negative impact on the value of other assets, particularly real estate and privately held businesses. Although this is a bleak period in our history, we would be remiss if we did not bring to your attention, certain estate planning opportunities made possible as a result of the impact of the COVID-19 outbreak.

In 2009 and 2010, KLF assisted clients in taking advantage of then unprecedented decline in asset values by helping them make gifts of assets with depressed values. Over the following years, the rebound in the value of the assets allowed KLF's clients to transfer significantly more wealth without gift or estate taxes than they would have been able to do had they not taken advantage of the depressed values. Using proper techniques, gifted assets can still be available for use by the transferor and the transferor's family.

As in 2009 and 2010, this current downturn in asset value presents an opportunity for high net worth individuals to gift more assets without gift taxes than before the downturn values. For example, if the value of an asset has declined by 25%, an individual can gift 33% more without incurring gift taxes ($\$1 \times .75 = \0.75 ; $\$.75 \times 1.33 = \1). If one assumes that the assets will regain their value over time, as it did subsequent to 2010, a gift of one dollar of value today may well be worth \$1.33 or more depending upon the decline in the value of the asset as result of COVID-19 outbreak. Once the value of the assets recover, this opportunity will be lost. Making these transfers while the values are depressed is key. This a rare opportunity for individuals to save a significant amount of money that would have otherwise gone towards gift and estate taxes.

KLF can help. Please contact us for assistance regarding gifts of depressed value assets or any other assistance we can provide regarding estate planning or any of your other legal questions and concerns regarding COVID-19 or other issues. We can help. We are fully automated. We can advise you over the phone or through video conferencing. Documents can be emailed or mailed to you. Notary services, if necessary, can be accomplished remotely.

Be safe.

Sincerely,

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