Traditional Estate Plan vs. Spousal Option Trust

Traditional Estate Plan

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First Death →

Credit Shelter Trust (Family Trust) Up to Maximum Lifetime Federal Tax Exemption

New Tax ID # required.
Separate annual tax returns required

Survivor's Separate Trust

Second Death

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Beneficiaries Receive Assets From Credit Shelter Trust

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Estate Tax: No.

Capital Gains Tax: Yes, on the capital appreciation from the date of the first decedent's death.

Beneficiaries Receive Assets From Survivor's Trust

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Estate Tax: None up to maximum lifetime federal estate tax exemption.
Capital Gains Tax: No.

Spousal Option Trust

The Spousal Option Trust provides the surviving spouse with flexibility. It allows the survivor to set up a traditional estate plan with two trusts (Credit Shelter Trust and Survivor's Trust) if that is advantageous from a tax perspective. If the tax advantages are not needed, the survivor may opt to transfer all assets to him/herself, as illustrated below.

First Death

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Survivor's Trust

Decedent's assets go to surviving spouse.

New Tax ID # not required. Separate tax return not required.



Second Death

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Beneficiaries Receive Assets From Survivor's Trust

Estate Tax: None up to maximum lifetime federal estate tax exemption.

Capital Gains Tax: No.