THE TAX PICTURE

Do You Know How Much You Are Worth?

(NAPSA)—During the next 20 years, the Social Welfare Research Institute estimates that $14 trillion could transfer to the next generation as Baby Boomers' parents and some aging Baby Boomers themselves pass on inheritances. This will mark the greatest transfer of wealth in history, according to the Social Welfare Research Institute.

It comes as no surprise, then, that a recent Prudential survey finds that nearly three-quarters of those surveyed think it is important that the wealth passed from one generation to another not be heavily taxed at the federal and state levels.

Yet close to half of those respondents admit to knowing "very little" about the different taxes and costs associated with inheritances.

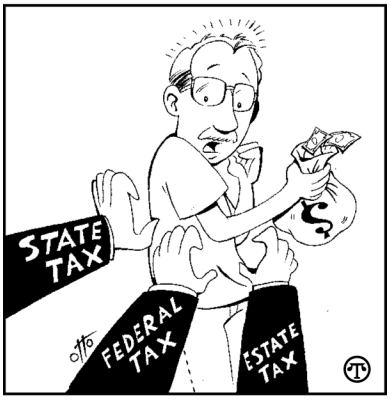
According to Jim Avery, president of Individual Life Insurance at Prudential, "The estate tax laws in the United States can be very confusing. Americans—especially Baby Boomers who have so much at stake right now—must understand the taxes and costs associated with inheritances."

Approximately half the people surveyed by Prudential admit they would not know how to reduce their tax burden, if and when they inherit property or money.

This group also admits to not knowing how to protect their spouses and children from significant estate tax bills on assets they themselves will bequeath in their own wills.

Avery makes the following observation, "Those who plan ahead will often purchase life insurance policies specifically to pay inheritance taxes."

He suggests that many individuals who do not consider themselves wealthy would be surprised at the total of their accumulated



assets. "There's a quick exercise that can illustrate the need for estate planning," he said.

- Total your family savings,
- Establish the market value of your home,
- Determine the value of your IRAs, 401(k)s, or other qualified plans, and
- Total the value of any life insurance policies, including group policies offered by an employer.

According to Avery, "If this totals $675,000 or more right now, there is a serious risk of estate tax liability. The exemption amount gradually increases until it reaches $1 million in 2006. However, there are simple steps an individual or couple can take to protect their assets," he said.

Steps that Avery offers to help protect the family and provide peace of mind include:

- Execute a will
- Name a guardian for your minor children
- Review the beneficiaries on any IRA, qualified plan and any life insurance
- Complete a living will—a health care power of attorney
- Create a durable power of attorney

Prudential's free brochure, "Estate Planning Strategies for the Future" is available by calling 1-800-The Rock, extension 7343.

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