

Here's what millionaires have to say about estate taxes

Whether they made \$10 million by running their own businesses or they inherited their millions, one topic that interests every wealthy American is the federal estate tax.

It's a topic that we as wealth advisers talk about with nearly every client, and we do a good deal of reading on the subject.

Recently we came across a survey on the subject. We'll hit some of the highlights in this column and if you want a copy of the full report just e-mail us and we'll be happy to send it to you.

What makes this report so interesting is that the authors actually surveyed nearly 500 multimillionaires and analyzed the opinions of different segments of the millionaire population.

For example, the survey found that those who earned their wealth were more likely than those who inherited their wealth to support reforming the inheritance tax rather than repealing it.

The research divided the wealthy into several groups and found very different opinions. The report split those surveyed based on total net worth (64 had estates exceeding \$20 million and 138 had estates between \$10 million to \$20 million).

It also looked at the opinions of those who made their own fortunes, those who inherited their money, those who want the federal estate tax repealed and those who want it reformed.

Among tax issues, the estate tax is a high priority among the wealthy. Of a list of six alternatives to estate tax reform, only one – reducing federal income taxes – was considered more important than estate tax reform.

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Of those surveyed, 78 percent said income tax reform was more important, 47 percent said fixing the alternative minimum tax was more important and 38 percent said increasing school funding was more important.

But here too, differences were noteworthy based on wealth: 98 percent of those with less than \$10 million thought cutting federal income taxes was more important, while just 27 percent of those with more than \$20 million thought income tax reduction was more important.

Almost half of those surveyed thought the wealthy should bear a larger share of the tax burden. About 40 percent said the wealthy owe the government for living in a society where wealth is possible.

As for the consequences of change, two-thirds thought reform or repeal would increase the federal budget deficit, 20 percent said either would increase economic growth, and a bit under 20 percent thought it would lead to other taxes or fees.

Just 3 percent of millionaires considered the estate tax a disincentive to hard work and saving – a finding

that seems to refute one of the primary arguments used by advocates of repeal.

Some of the most interesting differences in the survey were between self-made millionaires and those who inherited wealth. For example, among the wealthiest, the inheritors were the only segment to say the tax code was tilted in their favor.

Three quarters said the affluent should bear a larger portion of the tax burden and just over three quarters thought the wealthy owed the government for living in a society where wealth is possible.

In addition to the survey results, the report discusses the fascinating political history of the estate tax beginning in 1797, when a tax was levied on wills to help pay for the country's naval war with France.

The tax ebbed and flowed until three years ago, when major changes were made under the Economic Growth and Tax Relief Reconciliation Act of 2001. Under that law, the exemption level has been rising and the tax rate has been declining.

Those reforms set the stage for the current debate in Congress and across the country about repeal versus reform of the estate tax. Anybody interested in that debate should read this report.

If you'd like to read the full survey and analysis, e-mail us at EstateTax@PillarOnline.com and we'll send you a PDF copy of "The Estate Tax and the Affluent: A Look at the Impact of the Federal Estate Tax on Those Most Likely to Pay It," by Prince, Grove and Bavelas.

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