It's a Given:

"Gifting" Can Provide an Effective Estate Planning Tool

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The old adage that "it's better to give than to receive" holds some truth in estate planning. "Gifting" – pulling money, per sonal property and possessions out of an estate before or after the time of death – can help reduce taxes and administrative expenses that might otherwise be deducted from the estate's total value. With more of the estate available, a greater portion of the assets that took a lifetime to build is available to benefit family, friends and charities of choice.

A brief look at how estates are taxed helps illustrate the value of gifting. While the number varies from year to year, the amount of an estate excluded from federal taxes by the Estate Tax Exemption is $1,500,000 in 2003. Anything above that amount is taxed at a sliding scale, ranging from 31 to 49 percent of the total.

While $1,500,000 may seem like a large amount of money, it is important to know that every asset including property, securities, art, jewelry, collectibles and the face value of insurance policies owned by the insured, is included in calculating the estate. Individuals who never considered themselves wealthy while alive could leave an estate subject to estate taxes. When proper steps are taken, as much of this estate as possible can be preserved, in order to benefit the people and charities of the individual's choice.

Giving money away provides one of the simplest ways to minimize these expenses. Under current annual gift tax exclusion laws, up to $11,000 per year per spouse can be given to each child or grandchild with no taxes due. Using this strategy, a married couple with two children and four grandchildren could give away $120,000 tax-free each year.

Gifts other than cash also can be included (as long as the donee has immediate access to the property). Shares of stock, for example, can be given, and assets of this type – which might have a low current value but a high appreciation potential – may offer a way to give younger family members the seeds to a future nest egg.

For some people, however, giving assets away outright is simply not feasible or practical. If funds might be needed in the future, for example, an individual should think twice before gifting. A gift is just that. Once gone, it cannot be retrieved.

In simple terms, a trust is a legal arrangement under which one person or institution (the trustee) controls property given by another person (the grantor) for the benefit of another (the beneficiary). There are two main types of trusts: testamentary, which take effect upon death; and living trusts, which are established while the individual is alive.

Trusts also are either revocable, meaning that they can be changed during the individual's lifetime, or irrevocable, or not changed.

In all trusts, the individual transfers property to the trust. Time and legal fees are reduced for survivors because the assets do not go through the probate process. Some trusts also provide control over when and how assets are distributed. A trust may name a guardian for minor children, for example, and it might specify when and how many assets the children could access.

Within these categories, trusts can be written to suit a wide range of situations and needs. Some of the more popular types of trusts include:

* A Credit Shelter or Bypass Trust. Each spouse creates a trust, leaving up to $1,500,000 to this trust. When the first spouse dies, the survivor has use of the income from that trust until he or she dies. After the survivor dies, the trust property might stay in the trust for the benefit of the heirs or be distributed outright to them.

* Irrevocable Life Insurance Trust. If designed correctly, property inside a life insurance trust is not part of the gross estate. After the individual's death, the trust can use the cash from the death benefit to buy assets from the client's gross estate and provide cash to the estate to meet its estate tax liability as well as management and administrative expenses.

* Charitable Remainder Trust. The individual's entire interest in a piece of property is given to the charity, but the donor or family members receive income from the trust for a specified period of time, after which the remainder interest passes to the charity.

A solid team of law and financial service professionals can help sort through all the options and develop a plan to best suit your individual situation. In laying the groundwork today, you can help preserve as much of your estate as possible, ensuring that the assets you worked so hard to achieve will continue to benefit the people and institutions you love long after you are gone. ■

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Green Light for New Silk Road

Asian countries agreed to create a 86,800 mile highway network, dubbed the new Silk Road, to improve trade and tourism after Beijing and Tokyo backed the project late last year, reports the *South China Morning Post.*

Twenty-three countries signed the Asian Highway Agreement at the annual meeting of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), which brokered the accord. "Countries have seen that the provision of infrastructure can create economic opportunities, and also improve and enhance the chances for them to trade more effectively amongst themselves," said Barry Cable, chief of the transport and tourism division of Bangkok-based UNESCAP.

The UN agency floated the idea of a pan-Asia highway in 1959, but political realities ruled out the scheme until 1992. The UN agency hopes to add more routes and make border crossings along the highway more convenient. Future agreements could allow countries to lay fiber-optic cable along the highway for internet links and create a pan-Asian railway system. The UN estimates it will take USD 16 billion in investment to allow participating countries to improve roads to meet the standards set for the project. Seventeen percent of the current roads fail to meet technical standards, mostly in Mongolia and central Asia. Much of the funding for upgrading roads is expected to come from international lenders like the Asia Development Bank, though the private sector could play a small role.

The Associated Press explains that the Asian Highway Agreement is intended to ensure construction of a road system that would ease the isolation of many landlocked Asian nations and establish a modern version of the ancient trading route that once linked the continent to Europe by camel train. The Asian Highway would be not one road but an entire system of routes that—by land and by sea—would connect Tokyo to Turkey, Bhutan to Bulgaria. A UN map of the highways as planned roughly resembles a spider web strung from Finland and St. Petersburg to Khabarovsk and Tokyo. Spurs extend through Turkey as it meshes across Central Asia, crosses India and loops through Southeast Asia down to the Indonesian island of Bali.

Xinhua notes UNESCAP said it anticipates that Asia's landlocked countries, including Bhutan, Laos, Kazakhstan, Kyrgyzstan, Mongolia, Nepal and Uzbekistan, will benefit most from the new roads by gaining better access to ports. The main route—Asian Highway 1—is expected to start in Tokyo and terminate in Istanbul, passing though North and South Korea, China, Vietnam, Cambodia, Thailand, Myanmar, India, Pakistan, Afghanistan, Iran and Armenia along the way.

In a separate piece, *Xinhua* notes that as a crucial part of the Asia Highway Network, China has a total of 16,120 miles of highways within the network, accounting for 19 percent of the network's total length. Besides the existing 6,820 miles of highway, China will build another 9,300 miles of new road for the network, which will be completed by 2010.

Kyodo (Japan) adds that existing roads will be used, but 17 percent of the network must be built. ■

This summary is prepared by the External Affairs Department of the World Bank. All material is taken directly from published and copyright wire service stories and newspaper articles.

China's Economic Development Plan

China's transformation into an economic powerhouse and shining example of poverty reduction has leaders of other countries with developing economies taking notice. China's development approach, what Joshua Cooper Ramo has dubbed "Beijing Consensus," is driven by the desire for equitable, high-quality growth. In what is fast becoming a model for global development, Wen Jiabao's "coordinated development" is focused on not only GDP, but on growth which is environmentally friendly and corruption-free. These goals demand that privatization and free trade be approached cautiously.

At a World Bank "Practitioners in Development Lecture Series" recently, Zhou Xiaochuan, Governor of the People's Bank of China explained the ideas behind the reforms in China's gradual approach towards a market economy. Centrally planned economies of Communist countries prioritized industrialization. To achieve their goals, they used cross subsidies. Immediate removal of such industrial subsidies in Eastern European nations after the collapse of Communism in an attempt to move to a market economy added to the decision to end preferential trade between former Soviet bloc countries resulted in a mass decline in production and a corresponding rise in unemployment, Zhou said.

Instead of this radical correction, China chose to adopt gradual change where cross subsidies were slowly ended in an effort to minimize job losses. A key principle, according to Zhou, was to "try to bring the immediate benefits to the population" to help gain support and maintain reform momentum.

Maintaining subsidies to allow slow adjustment included the subsidization of vulnerable sectors which resulted in a decline of the government's fiscal resources. Difficulties such as poor financial discipline and

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