

ESTATE PLANNING FOR MODEST ESTATES

Practical Tools Every Planner Should Know

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Transfer Taxes – TCJA 2017 (pp. 1-3)

► **Unified Transfer Tax System**

- \$10,000,000 exclusion/exemption for gift, estate, and GST tax - for years 2018 – 2025
- Indexed for inflation - **\$13.61 mill. for 2024, \$13.99 mill. for 2025 (Exh A)**
- For years 2011-2017 (and after 2025), \$5 million adjusted for inflation - \$7.25 million or so for 2026?
- 40% rate on excess

► **Income Tax Rates are Higher**

- Trusts and estates hit top bracket at \$15,200 for 2024; (\$15,450 for capital gains)
- 3.8% additional NII tax

► **Portability is Permanent**

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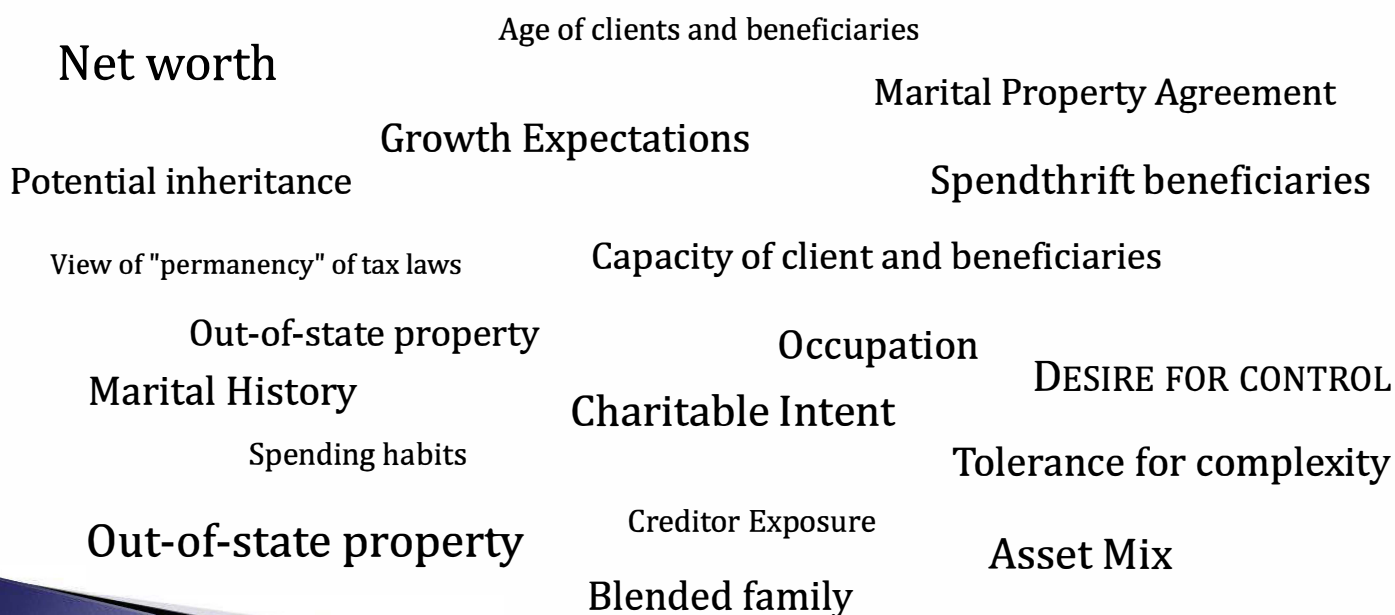
The Analysis Has Changed

- ▶ Ordinary income tax rates exceed estate tax rates
- ▶ Basis more important with higher capital gain rates (23.8%)
- ▶ High estate tax exclusion makes estate tax savings illusory for most people
- ▶ Definition of "married couple" has changed
- ▶ For couples in the \$2 to \$23 MM range, is the complexity and federal income tax exposure worth trusts' non-tax benefits?

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What Drives the Estate Plan



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What Drives the Estate Plan

- ▶ Total net worth
- ▶ Asset mix
- ▶ Spending habits/growth expectations
- ▶ Potential for inheritance/current beneficiary
- ▶ Out-of-state property, including non-U.S.
- ▶ Age of client and beneficiaries
- ▶ Capacity of client and beneficiaries
- ▶ Marital history
- ▶ Marital property agreement
- ▶ Blended family vs "traditional" family
- ▶ Spendthrift beneficiaries
- ▶ Occupation/creditor exposure
- ▶ Charitable intent
- ▶ Tolerance for complexity
- ▶ Desire for control
- ▶ View of "permanency" of tax laws

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Tools Every Estate Planner Should Know How to Use

1. Fundamental Tools (pp. 4-9)
2. Outright Gifting (pp. 9-15)
3. Intra-Family Loans (pp. 15-19)
4. Irrevocable Life Insurance Trusts (pp. 19-21)
5. Spousal Lifetime Access Trusts (pp. 21-26)
6. Grantor Retained Annuity Trusts (pp. 26-30)
7. Qualified Personal Residence Trusts (pp. 31-34)
8. Sale to Intentionally Defective Grantor Trusts (pp. 34-40)
9. Accidentally Perfect Grantor Trusts (pp. 40-44)
10. Charitable Gifts (pp. 44-46)
11. IRAs to Charity (pp. 46-49)
12. Donor Advised Funds (pp. 50-52)
13. Portability (pp. 52-68)
14. Bypass Trusts and Similar Trusts (pp. 68-70)
15. Marital Trusts (pp. 70-75)

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