

# IMPORTANT UPDATE:

## Upcoming Changes to Estate Tax Planning

The following information provides an overview to changes in tax laws that could significantly impact your estate planning. With several key tax provisions set to expire at the end of 2025, we strongly recommend that you review your estate plan now to ensure your loved ones are protected and minimize potential tax liabilities.

### What's Happening?

Key tax provisions that were put in place by the Tax Cuts and Jobs Act (TCJA) of 2017 are set to expire at the end of 2025 unless Congress acts to extend these provisions.

#### Estate and Gift Tax Exemption Reduction:

- **Current Law:** The estate and gift tax exemption is approximately \$13.61 million per individual in 2024, meaning you can pass on this amount without incurring federal estate taxes.
- **What Happens in 2026:** The exemption will drop to roughly \$7 million per individual (adjusted for inflation), exposing more estates to federal estate taxes.

### What Does This Mean for You?

- **Higher Estate Taxes:** If your estate is above \$7 million (or \$14 million for married couples), your heirs could face significant federal estate taxes. For instance, an individual with a \$12 million estate may have a federal estate tax liability of around \$2 million in 2026 compared to zero federal estate tax today.
- **Reduced Gifting Capacity:** You may not be able to gift as much to your loved ones without incurring tax liabilities. Gifting \$10 million today would reduce your taxable estate, but that same gift could exceed the exemption in 2026.

### What Should You Do Now?

#### Review Your Estate Plan:

- **Will Adjustments:** Ensure your will or living trust reflects your current wishes and maximizes use of tax implications.

#### Utilize Current Exemptions:

- **Lifetime Gifting:** Consider using your current high exemptions through strategic gifting to family members, charities, or trusts.
- **Spousal Lifetime Access Trusts (SLATs):** Consider utilizing each spouse's exemption without completely losing access.

#### Evaluate Liquidity Needs at Death:

- Re-evaluate liquidity to pay estate tax at death with a lower exemption amount and consider if additional life insurance needed for this purpose.

#### Business Succession Planning:

- If you own a business, now may be an ideal time to implement succession planning, such as transferring ownership interests.

#### Charitable Giving:

- Determine if additional charitable giving during lifetime or at death is appropriate to reduce the impact of high estate tax burdens.

# The Power of Utilizing the higher federal estate tax exemption through gift transfers prior to the expiration at the end of 2025.

## 2025

\$20M Assets \$0 Gift = \$20M Estate	\$20M Assets \$7M Gift = \$13M Estate	\$20M Assets \$13.6M Gift = \$6.4M Estate
\$13.6M Estate Non-Taxable	\$7M Gift Non-Taxable	\$13.6M Gift Non-Taxable
	\$6.6M Estate Non-Taxable	
\$6.4M Estate Taxable ~ \$2.5M Federal Tax	\$6.4M Estate Taxable ~ \$2.5M Federal Tax	\$6.4M Estate Taxable ~ \$2.5M Federal Tax

Exemption remaining for Estate after \$0 gift: \$13.6M

Exemption remaining for Estate after \$7M gift: \$6.6M

Exemption remaining for Estate after \$13.6M gift: \$0

## 2026

\$20M Assets \$0 Gift = \$20M Estate	\$20M Assets \$7M Gift = \$13M Estate	\$20M Assets \$13.6M Gift = \$6.4M Estate
\$7M Estate Non-Taxable	\$7M Gift Non-Taxable	\$13.6M Gift (before 12/31/25) Non-Taxable
\$13M Estate Taxable ~\$5.2M Federal Tax	\$13M Estate Taxable ~\$5.2M Federal Tax	
		\$6.4M Estate Taxable ~ \$2.5M Federal Tax

Exemption remaining for Estate after \$0 gift: \$7M

Exemption remaining for Estate after \$7M gift: \$0

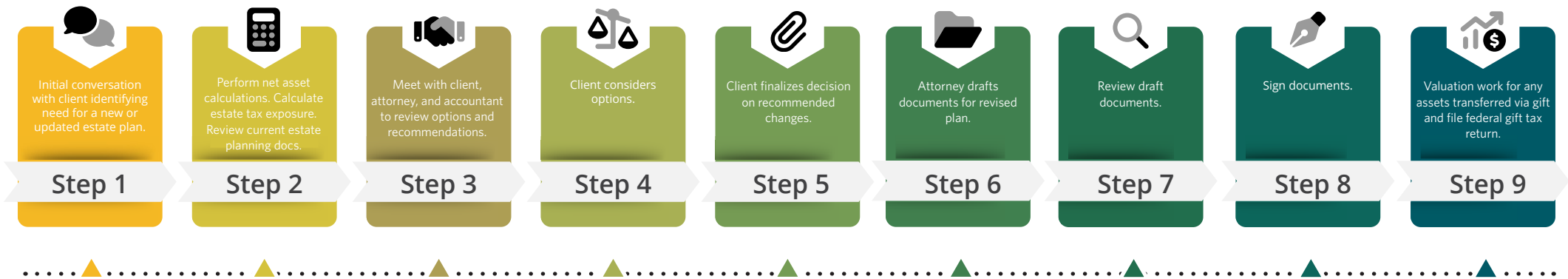
Exemption remaining for Estate after \$13.6M gift: \$0

**SIGNIFICANT SAVINGS**

The Exemption is the portion of the combined Gifts & Estate that is Non-Taxable. 2025 Exemption = \$13.6M. 2026 Exemption = ~\$7M.

# ESTATE PLANNING CLIENT PROCESS

9+ month plan



## Challenges:

- Navigating the difficulties in making important, irrevocable decisions
- Time and complexity involved in coordinating multiple calendars (client, attorney, accountant, etc.)
- Incomplete or inadequate asset values
- Unknown of future tax legislation impact