

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?

What Drives the Estate Plan

Age of clients and beneficiaries

Net worth

Marital Property Agreement

Growth Expectations

Potential inheritance

Spendthrift beneficiaries

View of "permanency" of tax laws

Capacity of client and beneficiaries

Out-of-state property

Occupation

Marital History

Charitable Intent

DESIRE FOR CONTROL

Spending habits

Tolerance for complexity

Out-of-state property

Creditor Exposure

Blended family

Asset Mix

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)
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9. Accidentally Perfect Grantor Trusts (pp. 40-44)
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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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