

Legislation Updates, PPP and Year-End Planning Session One: Estate Planning

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With you today

Agenda

1. Exemption and Credit Overview of Current Law
2. Potential Changes Post Election Based on Proposed Plans
3. Gift Planning
4. Family Planning

Current Law Overview

Federal Estate, Gift and GST Exemption

Lifetime Exemption (unified)

- 2017 TJCA set to \$10 million per taxpayer indexed for inflation
- 2020 = \$11,580,000 per spouse
- Tax rates of 40%
- Sunsets to \$5 million indexed for inflation on 12.31.25

Annual Gifting Exemption

- Currently \$15,000 per donee

Step-up of basis at DOD

No Clawback!

Potential Changes

Federal Estate, Gift and GST Exemption

Proposed estate tax plan under Biden

- Accelerate sunset to \$5 million at 40% rate
 - Or
- Reduce estate and GST exemption to \$3.5M and gift lessened to \$1M at 45% rate
- Remove step up basis
- Shift to annual gifting max of \$50,000 per donor

Proposed estate tax plan under Trump

- Extend current laws and keep credit unified
- Allow for special estate and GST exemptions for farms and business owners
- Repeal estate tax?

Gift Planning

Grantor Retained Annuity Trust (GRAT) structures

- Transfer asset appreciation to beneficiaries using a minimal amount of gift tax
- Donor receives annuity payments calculated using the applicable federal rate on the FMV
- Zeroed-out GRAT planning

Charitable Lead Trusts

- Can work like a zeroed-out GRAT
- Provide a current income deduction
- Allow annual payments to charity
- Remainder to trust or family beneficiaries

Gift Planning

Review of ILIT structures

- Concerns around annual exclusion changes
 - ILITs set up with gifts for annual premiums being taxable gifts
- Planning options
 - Utilize another trust to fund with income streams or excess cash to distribute or loan annual premiums to ILIT
 - Pay up policy before end of year
 - Large gifts to ILIT to provide cashflow to pay premiums annually

Spousal Lifetime Access Trust (SLAT)

- Gift to Trust for HEMS of Spouse
- Assets outside estate of both spouses
- Both spouses can execute similar, but not identical

Family Planning

Low Interest Rate planning

Review current loan agreements

- Lower rates now can be locked in on previous or new wealth transfers for notes

Sales to Family LLCs

- Transfer of appreciated or income-producing assets into Family business
- Take back an installment note
- Intentionally Defective Grantor Trust can be used

When to Act

NOW!

Estate planning is a process, which you will need time to execute.



Q&A

Thank you!

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