



The president began selling his \$2 trillion plan this spring to rebuild infrastructure and reshape the economy. His plan would fix 20,000 miles of roads and 10,000 bridges. Mr. Biden said his plan “is a once-in-a generation investment in America”.

The costs would be offset by increased corporate tax revenues raised over 15 years. It would hike the U.S. corporate rate to 28%, from its current 21%, to secure more revenue from corporations that have used offshore tax shelters and other measures to reduce their tax burden. Although the plan does not include Biden’s campaign promise to raise taxes on wealthy individuals, such tax reform seems inevitable.

As part of a second package, Biden wants to slash the estate transfer tax exemptions from their historically high levels down to \$3.5 million per person. Many wealthy people have chosen to utilize their exemptions now, before it is potentially reduced. For others, here are some wealth transfer strategies to consider:

Gifts have several key characteristics that make it attractive for passing along wealth this year. Individuals can make annual exclusion gifts of up to \$15,000 per recipient (it’s \$30,000 for married couples), which do not count towards their gift and estate tax exemptions. They can also make direct payments for tuition and medical expenses, without depleting the annual exclusion or personal exemption.

A Grantor Retained Annuity Trust (GRAT) is an irrevocable trust. The grantor makes a gift of property to it while retaining a right to an annual payment (annuity) from the trust for a specified term of years. The right to the annuity is a retained interest that has a value. This value is subtracted from the full value of the transferred property when determining the taxable value of the gift.

An Intra-Family Loan allows an individual to assist family members financially without incurring additional gift tax. Similar to a GRAT, wealth can be shifted if the loan assets earn a higher return than the required interest rate.

Finally, life insurance owned by an irrevocable trust can provide needed liquidity to offset estate taxes, thereby preserving other estate assets for heirs. The most cost-efficient permanent policy pays a benefit on the second insured to die which matches the timing of when the estate tax is commonly triggered.

