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If You Own Any of These Assets, You Need to Watch Their Value

As we begin 2024, it is crucial to review estate planning goals and strategies that may be affected by changes in the federal estate tax exemption law. At the end of 2025, the Tax Cuts and Jobs Act (TCJA) the estate tax exemption, which is $10 million, adjusted for inflation, may revert to the pre-2017 exemption amount, cutting it almost in half. Depending on the types of accounts and property you own, you may need to pay close attention to their value.

You may need a complete reevaluation of your most significant investments and property to ensure that they are protected. The following items may have steadily increased in value over time, potentially creating major estate tax issues:

- Business interests
- Life insurance
- Real estate

For people with significant wealth, each of these items alone may not put you over the estate tax limits, but the combination could.

Your Business

With the uncertainty surrounding the estate tax exemption, developing a comprehensive business succession plan is crucial, especially if your goal is for the business to continue on after you have retired or passed away. Consider strategies such as gifting shares to the next generation or creating a family limited partnership. The last thing you want to do is sell your business or farm that may have been in your family for generations (if farming is your occupation) to satisfy a looming estate tax bill. Not only would this be a financial and emotional loss, but it may also result in the loss of jobs for your family and other employees.

Your Life Insurance Policies

Life insurance policies may be an essential part of your estate plan. Review your life insurance policies to ensure that they are used effectively for your estate planning goals with the federal estate tax exemption in mind. Increasing policy values could put you over the potentially lower lifetime exemption limit. Consider the following:

- You need to determine how much life insurance to purchase. By meeting with an experienced insurance agent and financial planner, you can ensure that you have the right amount of coverage to adequately plan for your loved ones.
- The ownership of the policy can affect estate tax liability. Transferring ownership of the policy to an irrevocable life insurance trust (ILIT) may allow you to remove the value of the policy from your estate and protect the death benefit on behalf of your chosen beneficiaries.

Multiple Real Estate Properties

Real estate can pose specific challenges in estate planning. Reassess the current value of your properties to ensure accurate tax planning, keeping the potential decrease in the estate tax exemption in mind. Depending on the economic climate, your real estate may be far more valuable than when you first acquired it. You might consider using trusts, such as qualified personal residence trusts (QPRTs), to transfer real estate to heirs while minimizing estate tax exposure. You might also consider creating an entity, or multiple entities, to own the real estate. This strategy may be able to offer additional asset protection for you and your loved ones.

Stay Informed with the Help of Professionals

The estate tax landscape is evolving, and it is important that your estate plan stays up to date. We would love to collaborate with your trusted financial and tax advisors to update your comprehensive estate plan. Your situation and family dynamics are unique, and your plan must be customized to your specific circumstances to adequately protect your property and minimize potential tax liabilities well before the estate tax exemption sunsets at the end of 2025.