

ADVANCED
ESTATE
PLANNING

Estate Planning Opportunities and Strategies

Wealth Transfer Goals

Estate Planning:
Opportunities and Strategies

- Avoid family discord
- Keep the family wealth in the family
- Creditor protection (POTENTIAL future creditors)
- Legacy within the family
- Legacy in the community
- Protect next generation(s) from themselves – Mismanagement of wealth
- Avoid negative impact of wealth, i.e. robbing next generation of ambition
- Protecting and passing on specific unique assets
- Supporting charitable causes (actively effecting change, not just making donations)
- Privacy
- Minimize impact of taxes

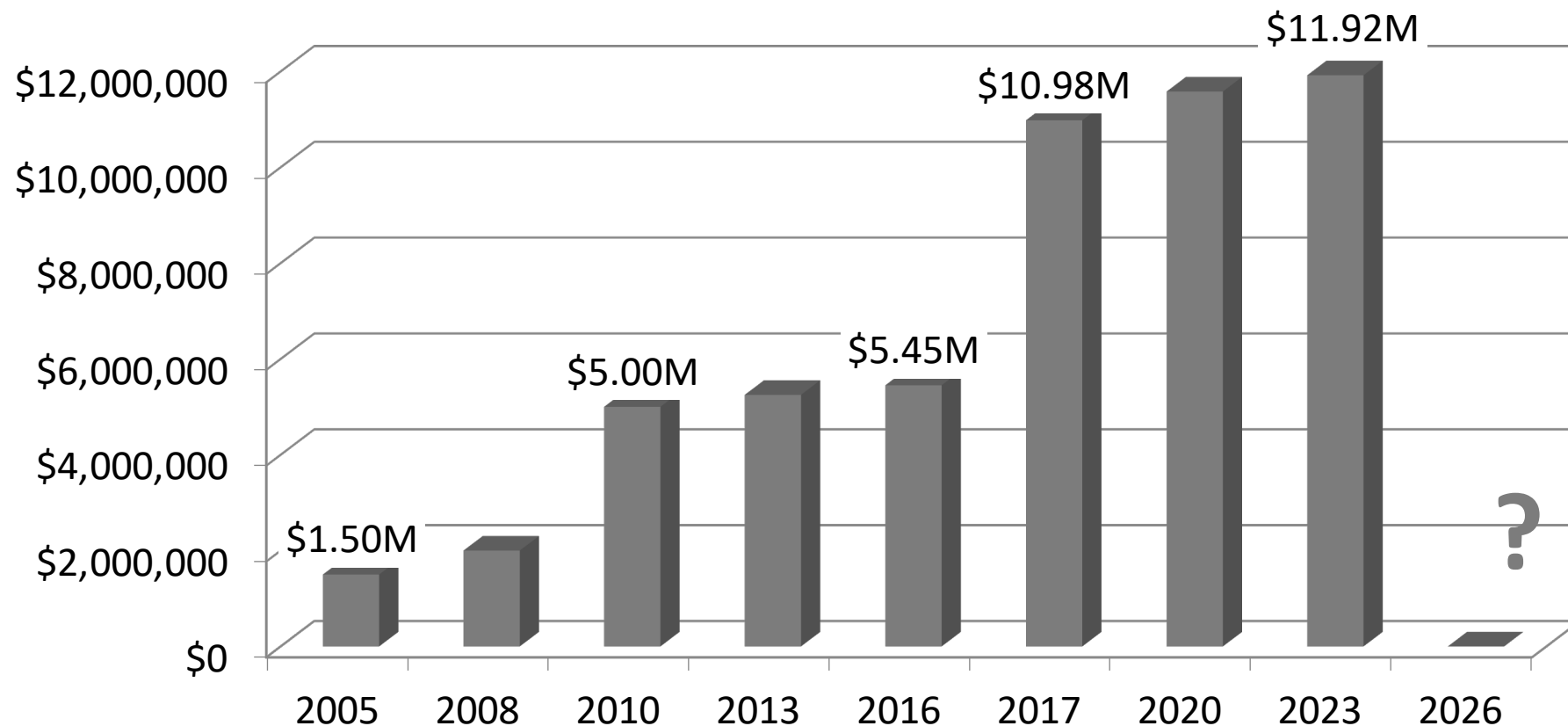
Estate Planning – Why Now?

- Exemptions sunset in 2026 (\$10M down to \$5M, indexed)
- Political winds shift quickly
- Recently proposed:
 - Elimination of stepped-up basis
 - Inclusion of grantor trust assets in taxable estate (with grandfathering)
 - Increased estate tax rates
- Lead time to design, draft, and fund irrevocable trusts

Federal Estate Tax Changes

Estate Planning:
Opportunities and Strategies

Gift & Estate Tax Exemption Amounts



Impact of Reduced Exemption – 2025 vs. 2026

Estate Planning:
Opportunities and Strategies

2nd Death in 2025		
Part 1		
1	Lifetime Exemption as of 2025	25,840,000
2	Prior Exemption Gifts	—
3	Current Year Exemption Gift	—
4	Available Exemption Amount	25,840,000 ← subtract lines 2 and 3 from line 1
Part 2		
5	Value of Estate Assets as of 2025	40,000,000
6	Taxable Estate	14,160,000 ← subtract line 4 from line 5
7	Federal Estate Tax Rate	40%
8	Estate Tax Due (9 months)	5,664,000 ← multiply line 6 by line 7
9	Net Estate Value to Heirs	34,336,000 ← subtract line 8 from line 5
10	Irrevocable Trust Assets	— ← trust value to heirs free of estate taxes
11	Total Wealth to Heirs	34,336,000 ← add lines 9 and 10

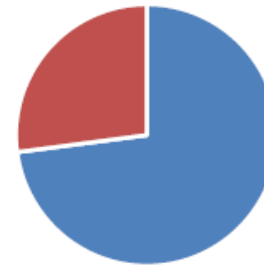
2nd Death in 2026		
Part 1		
1	Lifetime Exemption as of 2026	12,920,000
2	Prior Exemption Gifts	—
3	Current Year Exemption Gift	—
4	Available Exemption Amount	12,920,000 ← subtract lines 2 and 3 from line 1
Part 2		
5	Value of Estate Assets as of 2026	40,000,000
6	Taxable Estate	27,080,000 ← subtract line 4 from line 5
7	Federal Estate Tax Rate	40%
8	Estate Tax Due (9 months)	10,832,000 ← multiply line 6 by line 7
9	subtract line 8 from line 5	29,168,000 ← subtract line 8 from line 5
10	Irrevocable Trust Assets	— ← trust value to heirs free of estate taxes
11	Total Wealth to Heirs	29,168,000 ← add lines 9 and 10

2nd Death in 2025



■ Heirs ■ IRS

2nd Death in 2026

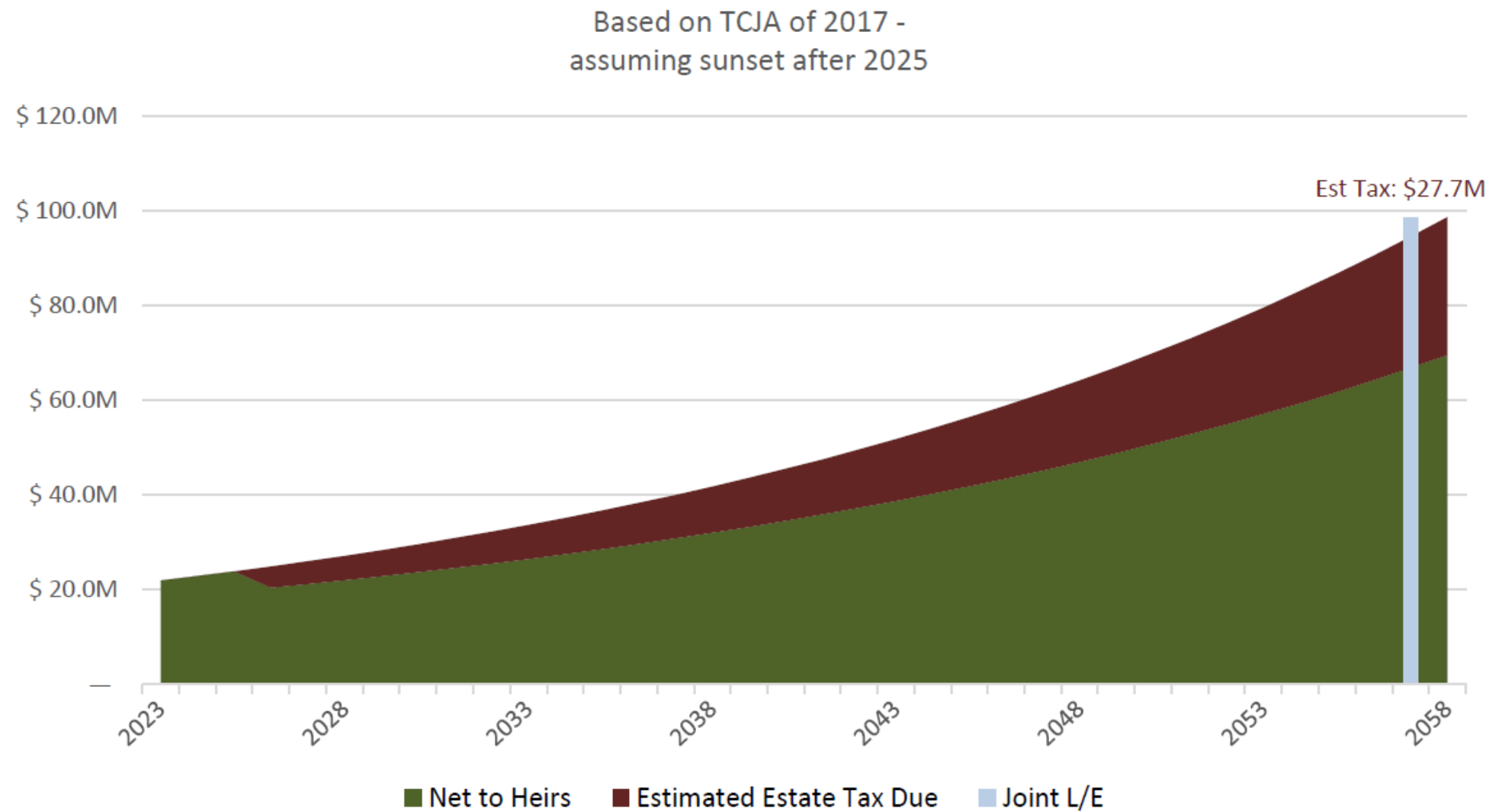


■ Heirs ■ IRS

\$5,168,000 more in taxes and less to heirs

IRS shares in Future Growth of Wealth

Estate Planning:
Opportunities and Strategies



Large Lifetime Exemption Gift

Basic design

- Irrevocable trust established by one spouse or both spouses
- Trustee retains family business interest for appreciation, invests cash for long term growth
- A portion of profit distributions or portfolio earnings can be used to fund life insurance premiums

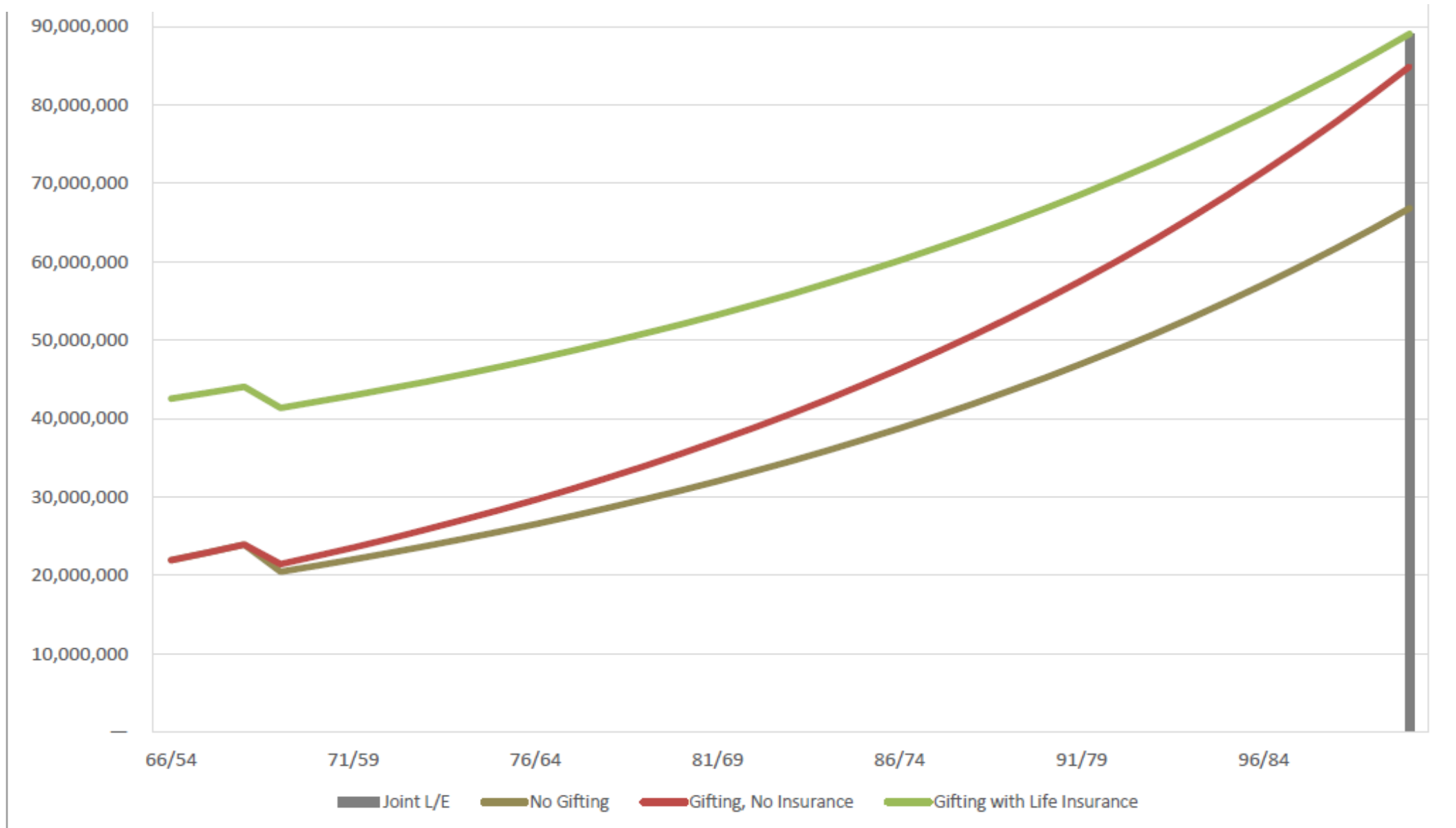
Advantages

- Growth in value of assets contributed removed from estate
- Trust assets can be used for beneficiary support during grantor's lifetime
- One-time gift tax return; no ongoing annual exclusion gifting required

“Grantor trust” status means trust assets grow income tax free during grantor's lifetime.

Net to Heirs from Lifetime Gift

Estate Planning:
Opportunities and Strategies



Spousal Lifetime Access Trusts (SLAT)

Estate Planning:
Opportunities and Strategies

Basic design

- Irrevocable trust established by one spouse
- Spouse and children are beneficiaries - right to receive distributions subject to an "ascertainable standard," i.e. health, education, maintenance, and support
- Spouse / beneficiary may be given power of appointment to designate who receives upon their death

Advantages

- Assets contributed removed from estate
- Trust property not included in grantor's estate or spouse's estate
- Grantor retains access to trust income "indirectly" through their spouse

Grantor retains
access to trust
income "indirectly"
through their
spouse.

Standby Trust

Basic design

- Utilizes life insurance on the lives of a married couple (often survivorship policy)
- The insured with the shorter life expectancy is named the initial owner
- Upon the death of the owner spouse the policy automatically changes ownership to the Standby Trust (contingent ownership designation)
- Policy could be owned by a revocable Standby Trust that automatically converts to an irrevocable trust after the first spouse passes away

Advantages

- Death benefit proceeds not included in the estate for estate tax purposes
- While both spouses are alive they will have full access to policy cash values

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Private Financing

Basic design

- Life insurance policy is owned by a 3rd party (often a family member) or a trust
- Client / Insured loans money to owner of policy to pay premiums, documented by a promissory note
- Interest charged at the appropriate applicable federal rate

Advantages

- Premium payments made by the client are not gifts for gift tax purposes (as long as legitimate intention to repay loan)
- Promissory note terms are more flexible than commercial loan
- Effective transfer of wealth when interest rates are low
- Client retains the flexibility to forgive the loan (turning the loan into a gift), or seek repayment should they need the cash flow.

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Private Split Dollar

Basic design

- Life insurance policy same ownership design as private financing arrangement
- Instead of a loan agreement, client/insured enters into a split dollar agreement with a 3rd party family member of trust.
 - Collateral assignment split dollar (most common): 3rd party owns policy
 - Endorsement split dollar (rare): Client / Insured owns policy
 - Non-equity split dollar: 3rd party owns policy

Potential for limited
access to cash
values.

Advantages

- Minimal to no gift tax exposure when premiums are paid
- Flexibility to “forgive” repayment of premiums paid
- Potential for limited access to cash values



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