



BOB CARLSON'S

Retirement Watch
SPOTLIGHT SERIES

How Your Estate Plan Should Be Changed Because of the Latest Tax Law

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Estate Planning Goals

- **Who receives your assets?**
- **Efficient & effective transfer**
- **Asset protection**
- **Your security & independence**
- **Your legacy**
- **Other goals**

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Key 2017 Changes

- **Lifetime exemptions doubled. In 2019:**
 - **\$11.4 million for individuals**
 - **\$22.8 million for couples**
- **Inflation indexing reduced**
- **Reversion to \$5 million + inflation in 2026 (estimated at \$6.3 million)**
- **Lower income, capital gains tax rates**

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Important “No Changes”

- **Annual gift tax exclusion: \$15,000**
- **Basis step-up after inheritance**
- **Carry-over basis for gifts**
- **Portability of exemptions for spouses**
- **Various tax strategies that were targeted**

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Don't Fear the Clawback

- **What happens if law reverts in 2026?**
- **IRS said won't retroactively impose lower exemption**
- **Future administration or Congress could change**
- **Wealthy should take advantage of lower exemption before 2026**

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Key Steps To Take Now

- **Establish goals**
- **Does your state have taxes?**
- **Review old estate plan**
- **Carefully review old funding formulas – major risk**
- **Reconsider terms of trusts**
- **Power of attorney**

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Reconsider Annual Gifts

- **Were they only to save taxes?**
- **See how gifts will be used**
- **Benefit loved ones now**
- **Educate about wealth management**
- **Minimize tax rates**

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Plan for Portability

- **Married couples have two exemptions**
- **Perhaps less need for trusts**
- **Must plan to take advantage**
- **What if not only marriage?**
- **Be sure executor is informed**

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Repurpose Old Trusts?

- **Review life insurance trusts**
- **Review basis of trust assets**
- **Does trust avoid state taxes?**
- **Does state allow decanting?**
- **Do trust terms allow changes?**
- **Can trust be made taxable to grantor?**

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Consider Non-Tax Benefits of Trusts

- **Creditor protection**
- **Divorce protection**
- **Investment management**
- **Spendthrift protection**
- **Personal problems**
- **Benefit multiple generations**

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Income Taxes Are More Important

- Review basis of all assets
- Basis increased for inherited assets
- Basis not increased for most assets in trusts
- Basis not increased for gifts of property
- Top tax rate for trusts at low income level

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Grantor vs. Non-Grantor Trusts

- **Issue: Who pays income taxes?**
- **For non-grantor trust, need adverse party**
- **Split assets among trusts?**
- **Put second homes in trusts?**
- **Split business among trusts to use 20% pass-through income deduction?**

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Review Charitable Giving

- **Make gifts through IRAs, both lifetime and bequests**
- **Bunch charitable gifts**
- **Fund trusts with assets to make gifts, receive tax benefits**

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No Changes for Very Wealthy

- **Take advantage of higher exemptions while can**
- **Use transfer, freezing strategies:**
 - **GRATS, irrevocable trusts**
 - **Family limited partnerships**
 - **Dynasty trusts**

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