



Strategies For Estate Tax Changes

Changes in estate taxes are likely to occur in the near future under the new Democratic majorities. Super high net worth individuals and individuals who are affluent typically have different goals when it comes to estate planning and therefore require different strategies.

High Net Worth Individuals:

Estate & Gift Taxing shows the potential to be lowered to \$5M or less. Income tax on retirement accounts is inevitable. To avoid having these assets subjected to estate and gift taxing, high net worth individuals should consider using their accounts in retirement instead of passing down to their heirs. For some it may be in their best interest to pay more in income taxes in order to save more during wealth transfer upon their death.

Charitable lead trusts may also be considered since the current interest rates are low.

It is unknown when these tax changes will go into effect, so it is best to consider putting strategies into effect now such as grantor trusts and GRATs.

Affluent Individuals:

The key to estate planning in this situation is limiting the amount of lifetime taxes allowing an affluent person to leave more to their heirs. Adult children will likely be paying higher taxes in the future, the ability for an affluent individual to lower the estate tax burden for heirs will mean passing on more to future generations.

A good strategy would be deferring income into IRAs, deferred compensation and other tax favored investments during high income years. Roth 401(k)s, Roth IRAs and Roth conversions not only save on taxes in retirement but allow for tax-free income to be passed down to heirs upon death.

Immediate annuities and life insurance are also good strategies that are used to avoid unnecessary taxation.

For both High Net Worth and Affluent individuals The key to estate planning is to allow for flexibility. Estate planning documents should allow for changes and trusts are a viable tool for both parties.

Now is the perfect time to discuss the best strategies for your individual situation, and for us to create a plan tailored to your individual needs.

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