

# Golden Bullets

Private Wealth Financial Partners

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## ESTATE TAXES LIKELY TO RISE:

### THINGS TO CONSIDER

While many would agree that the extra spending was needed to shore up an economy devastated by COVID-19, the dangers connected to extra federal government borrowing are real. The burdensome debt must be dealt with as we move past the pandemic.

Before he was elected, **President Biden announced his intention to ask Congress to raise taxes.** Among the things being considered is the idea of **expanding the scope of the federal estate tax.**

Currently, most individuals with net worth less than \$11.7 million and most married couples worth less than \$23.4 million do not have to worry about federal estate taxes. Those worth more may be liable for **40 percent of the excess** when the next generation inherits.

It has been reported that proposals to reduce the exemption amount to a much lower number—**perhaps as low as \$3.5 million**—are under consideration. Likewise, higher estate tax rates might be in our future.

Are you anxious about the possible changes to federal estate tax rules? Many of my clients are. Together, we have considered a number of different strategies that could be employed immediately:

- 1. Make substantial outright family gifts right now.** The federal government allows high-net-worth individuals to use up their estate tax exemption amounts while they are alive, so that they might make large gifts to family members. Such gifts might allow future growth of assets to end up in the hands of younger family rather than to remain with the older generation. Asset growth with the next generation would reduce the potential estate tax exposure of their parents.

2. **Consider sophisticated giving.** Certain kinds of complex gifts may allow families to achieve extra tax leverage on their giving. Examples of such gifts include grantor retained annuity trusts (GRATs) or family limited partnership (FLP) giving.
3. **Make strategic use of charitable planning.** Some of my high-net-worth clients have significant philanthropic goals. Gifts to charity may reduce a person's federal estate tax exposure, and sometimes they also produce immediate income tax benefits.
4. **Use life insurance as part of the estate tax management plan.** Life insurance, properly structured inside of an irrevocable trust, can provide an income tax-free and estate tax-free benefit to family at the insured's death. That death benefit may be used by family to pay the estate tax that cannot be avoided. Furthermore, sometimes special structures are available in connection with life insurance—such as private split-dollar—that can solve other planning problems.

Do you think estate tax rates will rise? Are you worried about the effect a reduction in the exemption amount might have on your family? Have you recently considered the effectiveness of your estate tax management strategies? Together with your accountant and your attorney, I can help you.

***AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.***

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