

Estate Tax Sunset

Don't wait to see it sunset. Make the most of it today, your estate will thank you.

In a little over 19 months the federal estate, gift, and generation-skipping transfer tax exemptions will be cut in half.

In 2024, the amount is equal to \$13.61 million per person and \$27.22 million per married couple. Beginning Jan. 1, 2026, the exemption amount will revert to \$5 million per person, adjusted for inflation, or \$10 million per married couple, adjusted for inflation.

Creating a lifetime legacy by using annual and lifetime gifting for Life Insurance.

If your hard work and careful preparation have brought you financial rewards beyond what you need to live comfortably, lifetime gifting may make sense. By using annual gifting exclusions, you can:

- Enjoy seeing beneficiaries receive some of your wealth during your lifetime.
- Give money to your recipients of choice without gift tax consequences.
- Reduce the value of your estate, eliminating or reducing your potential estate tax exposure.

Using Annual Exclusions:

A wealthy married couple with children can reduce their taxable estate in 2024 by making annual exclusion gifts to each of their children.

HUSBAND \$18,000 annual exclusion	+	WIFE \$18,000 annual exclusion	=	TOTAL \$36,000 per recipient
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Using Lifetime Exemptions:

Married couples can further reduce their taxable estate by up to \$27,220,000 in 2024 by using their lifetime gifting exemptions.

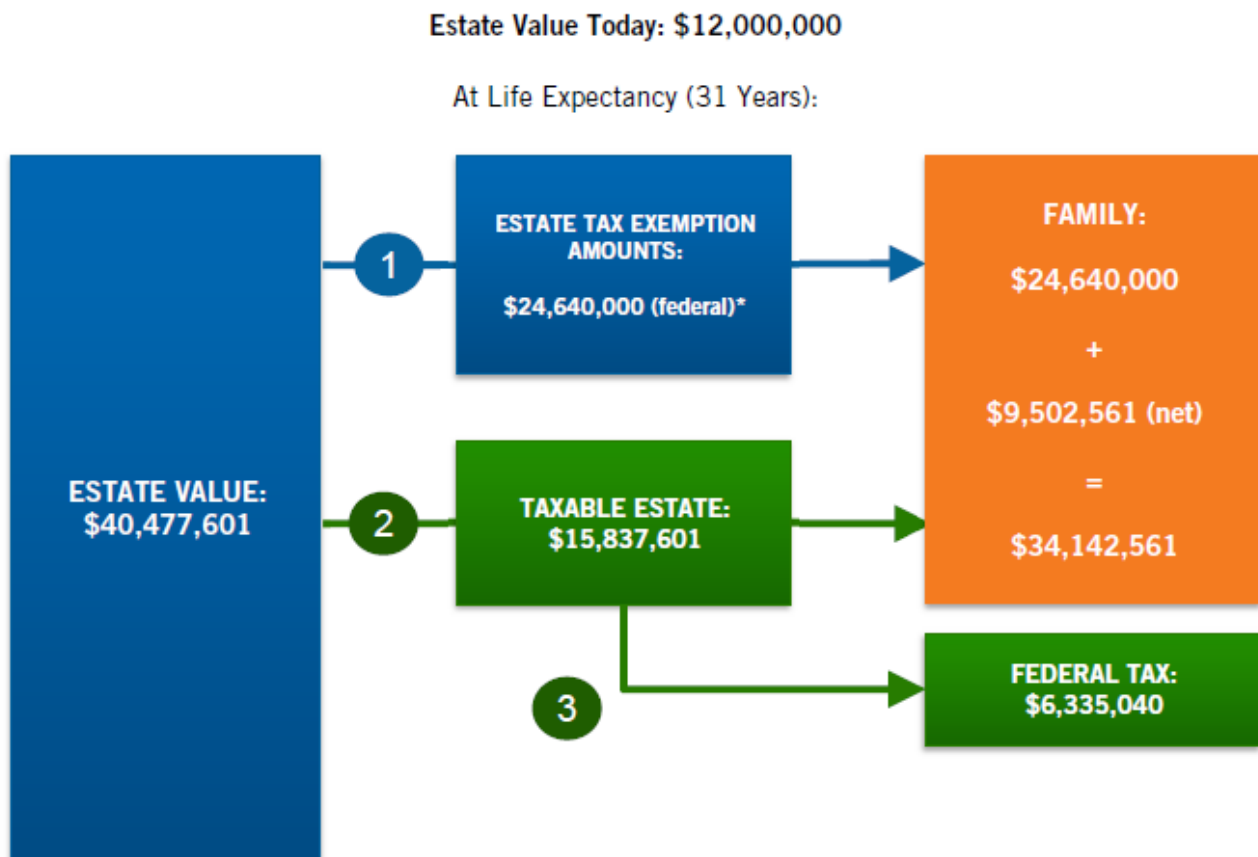
HUSBAND \$13,610,000 lifetime exemption	+	WIFE \$13,610,000 lifetime exemption	=	TOTAL \$27,220,000 per couple
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One way to help make your gifting exclusions work even harder for you and your beneficiaries is through annual gifting to an Irrevocable Life Insurance Trust (ILIT). This is a trust specially drafted to own life insurance for the benefit of the beneficiaries of the trust. The trustee can then use your annual gifts to pay the premiums on life insurance covering either you or you and your spouse jointly. ILITs can:

- Deliver value to beneficiaries through a death benefit that could be significantly greater than the sum of gifts made to the trust for premium outlay, depending on your health and age upon purchase.
- Reduce your taxable estate.
- Provide an income and estate tax-free death benefit that can be used to help offset any estate settlement costs, including potential estate taxes.
- The irrevocable nature of an ILIT prevents it from being changed in the future and helps ensure that contributions are completed gifts for gift tax purposes. However, most well-drafted trusts can be flexible enough to adjust for future changes to circumstances, despite their irrevocable nature. Please consult with your attorney for specific information

Estate Tax Analysis Examples:

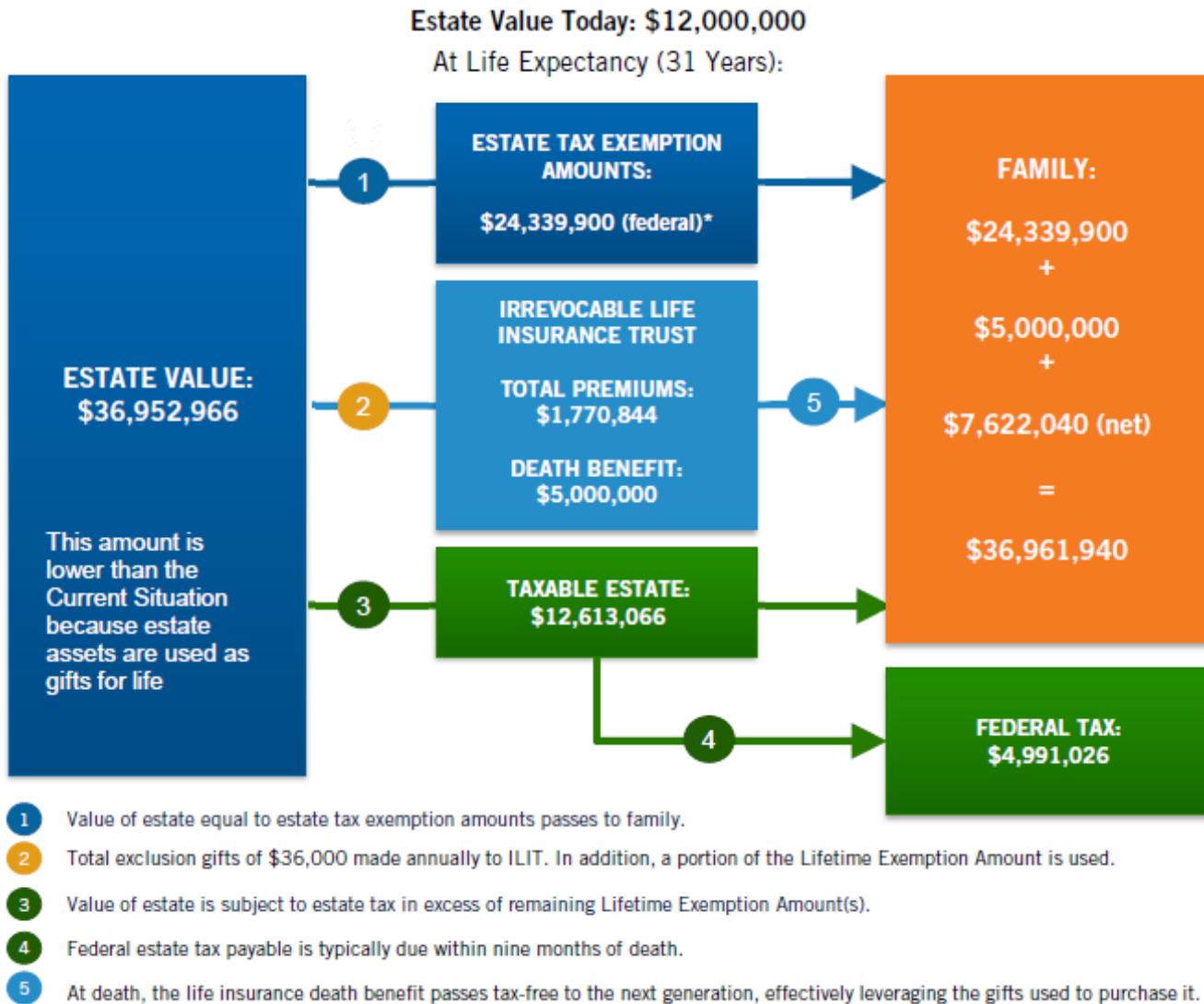
Full use of estate tax exemptions.



- 1 Value of estate equal to estate tax exemption amounts passes to family.
- 2 Value of estate in excess of estate tax exemption amounts is subject to estate tax.
- 3 Federal estate tax payable is typically due within nine months of death.

Leveraged Gifting using the following techniques:

- Make Annual Exclusion Gifts to Irrevocable Life Insurance Trust (1 beneficiary)
- 1 beneficiary = \$36,000 annually
- Make additional tax-free gifts by tapping into Lifetime Exemption Amounts
- Total Initial Premium: \$57,124 for \$5MM of death benefit.

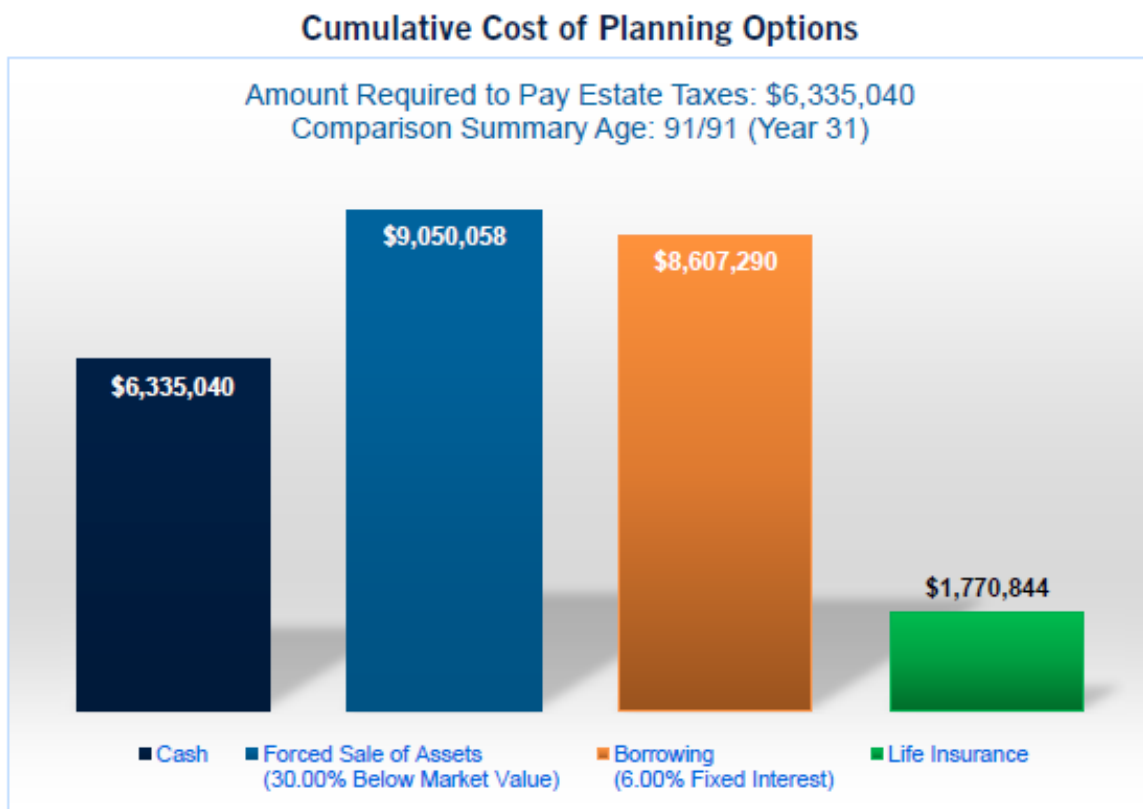


Life Insurance to Pay Estate Tax:

By using premiums for a life insurance policy as a means of pre-paying part or all of anticipated estate taxes, there may be significant overall long-term cost savings.

Life insurance is often the most economical and practical solution to estate taxes and settlement costs, especially when you wish to pass your assets intact for the benefit of your heirs. Life insurance provides a specific payout at death. When cash value life insurance is used, the policy may serve double duty, providing both an income tax-free death benefit and potential cash value accumulation on an income tax-deferred basis.

Life insurance can be a cost-effective method of prepaying the needs of the estate because premium costs are usually lower than the death proceeds and the death proceeds are generally received income tax-free. Below is based on the purchase of \$5MM of life insurance death benefit.



- **Cash:** If the estate has sufficient cash on hand to pay taxes, there is little or no additional cost.
- **Forced Sale of Assets:** Since estate taxes must be paid in cash, the estate may be forced to raise the funds by selling assets on the open market. In the case of illiquid assets such as real estate or a family business, the seller may be faced with the disadvantages of a down market or a limited pool of buyers, resulting in discounted sale prices. This calculation assumes a hypothetical discount is a cost added to the tax.
- **Borrowing:** Using this option, the estate may borrow against the value of estate assets to pay the estate tax. In some cases, the heirs may lend their own money to the estate. In either scenario, the total loan interest and other borrowing expenses can significantly inflate the cost of paying taxes.
- **Life Insurance:** By using premiums for a life insurance policy as a means of pre-paying part or all of anticipated estate taxes, there may be significant overall long-term cost savings. The life insurance cost shown here purchases \$5,000,000 of Death Benefit.