WHY NOW IS THE TIME TO REVIEW YOUR ESTATE PLAN

Review Your Estate Plan in Light of the December 2025 Sunset of the Increased Estate Tax Exemption

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Amidst the largest wealth transfer in the history of the United States—as the Baby Boomers begin to transition wealth to younger generations—the lifetime estate, gift, and generation-skipping transfer exemption (i.e., the amount that can be gifted during life or distributed after death tax-free) is set to be cut in half. You worked hard to accumulate your wealth. What a shame it would be if you missed this planning opportunity to distribute more of this wealth to your beneficiaries.

Currently, the Gift & Estate Tax Exemption for the 2024 tax year is $13,610,000 per person, and the Federal Estate and Gift tax rate is 40%. Similarly, the generation-skipping transfer tax ("GST tax") Tax Exemption for the 2024 tax year is $13,610,000 per person, and the GST tax rate is 40%. However, effective January 1, 2026, the laws regarding the Gift & Estate Tax and the GST Tax Exemptions may, absent action by Congress, sunset back to their 2010 form, cutting each of the exemptions by approximately one-half (1/2) (the "Sunset").

The Impact of the Sunset Illustrated

Many tax experts are expecting limits of around $7 million for individuals and $14 million for married couples—a little more than half of what they are now. If Congress does not act and extend these exemptions before the end of 2025, the loss in exemption amount could result in significant additional transfer taxes for families with taxable estates.

As a practical example, the Sunset may have the following effect on the estate tax liability of a married couple with $50 Million in assets today (assuming a 5% growth rate between today and 2026):

	2024	2026
Gross Estate	$50,000,000	$55,125,000
- Estate Taxes	-$9,112,000	-$16,558,857
= Distribution to Family	**$40,888,000**	**$38,566,143**

As illustrated above, simply surviving two more years may result in a more significant estate tax liability. However, there is still ample opportunity for high-net-worth families to, with proper planning, mitigate their estate tax exposure or, in many cases, avoid estate taxes entirely.

This article will discuss several estate planning strategies for clients and their advisors to consider prior to the Sunset.

Lifetime Giving

The Gift & Estate Tax Exemption and GST Tax Exemption are "use it or lose it" which means that clients who make lifetime gifts prior to the Sunset can lock in their exemptions before they lose them. Clients may consider making large lifetime gifts during the 2024 and 2025 tax years to lock in their exemptions.

The following are several common estate planning techniques that clients may consider discussing with their advisors prior to the Sunset:

Spousal Lifetime Access Trusts. Married clients may consider funding and creating irrevocable trusts for each other's benefit (i.e., Spousal Lifetime Access Trusts or SLATs). As an example, husband may use his Gift & Estate Tax Exemption and GST Tax Exemption to create and fund a trust for wife's benefit. Likewise, wife may use her Gift & Estate Tax Exemption and GST Tax Exemption to create and fund a trust for husband's benefit. This method ensures that assets remain available for husband and wife during their respective lifetimes. While a full discussion of SLATs is beyond the scope of this article, clients may consider discussing the potential opportunity and the risks of such a plan with their advisors.

Irrevocable trusts for children/descendants. Clients can create an irrevocable trust or trusts for the benefit of younger generations and utilize your existing gift and GST tax exemption amount, if desired. Ideal assets to gift are assets that are expected to increase in value; by gifting such assets, clients are able to move the appreciation outside of their taxable estates.

·**Gifting to a 529 college savings plan account for children or grandchildren.** Clients can contribute up to $18,000 per person starting in 2024 to a 529 plan tax free. For contributions exceeding $18,000, clients may elect on IRS Form 709, the gift-tax return, to treat up to $90,000 of the contribution as made over a 5-year period. This 5-year gift-tax averaging allows clients to front-load contributions into a 529 plan without exceeding the $18,000 annual gift exclusion. The annual gift tax exclusion amount is per donor per beneficiary so that couples may contribute up to $36,000 per year to each beneficiary without gift-tax consequences or up to $180,000 with 5-year gift-tax averaging.

Other Considerations When Planning for Estate Tax

The actions of Congress are uncertain; however, planning now with what we know about the scheduled tax law change is prudent. Below are a few essential reminders:

·**Planning's Overall Benefits:** Even if Congress extends the higher exemption limits, instead of allowing them to revert, planning will help ensure you remove assets from your estate, tax free, and that any future appreciation and growth on those assets are removed as well.

·**Tax Planning Tail Should Not Wag the Dog.** It's essential to carefully consider how much you can afford to give away during your lifetime. Once you make the gift, you forfeit control over the assets and, often, any income they may produce once they are transferred to someone else. If you desire to retain an income stream during your lifetime, there are planning opportunities you and your advisers can explore to achieve this goal.

There's nothing more upsetting than seeing well-intentioned estate planning or gifting disrupt a client's personal cash flow to an uncomfortable level. The need for reliable lifetime cashflow modeling cannot be understated.

Weighing Assets to Gift: Be cautious when selecting what types of assets are best for gifting. Removing assets that will appreciate will reduce the amount of your future taxable estate, while planning to keep appreciated assets over the current $13.61 million amount in your taxable estate benefits the eventual beneficiaries.

This gives beneficiaries a stepped-up basis, meaning the cost basis of the inherited assets are "stepped up" to the fair market value on the date of the decedent's death. It pays to undergo a "balancing analysis" with your advisor, where you weigh the amount of income taxes you would avoid by using the step up, against the increased amount of estate taxes payable at the 40% rate, in order to make the best-informed decision.

- Assets subject to valuation discounts are also ideal for gifting. For example, an asset valued at $12 million but discounted by 20% would only be assessed as a $9.6 million gift for tax purposes.

- As an added benefit, if you live in one of the 12 states (or the District of Columbia) that has a state-level estate tax, gifting will typically reduce the amount of state estate tax owed when you pass.

Word of Advice: Explore options before 2026

We've been in a similar position in prior years and have seen that congressional gridlock can make reaching an agreement on preserving or increasing the exemption extremely difficult.

While it is uncertain what, if any, tax-related legislation will come out of Congress in 2024 and 2025, it may be wise to explore one's options to **use the current existing exemption well before 2026**, especially considering that many of the above suggestions require adequate time to implement.

- *In my opinion, you should start this planning by mid-summer of this year, at the latest.*

Again, the planning doesn't need to be finalized by then, but the first step should be set in motion. I recommend starting with a comprehensive plan that fully understands your cash flow situation.

Your estate probably consists of many different assets and lots of complexity. With a roughly **12-month planning window** and two more tax seasons to distract you before the estate exemption sunsets, we're getting a lot closer to Dec. 31, 2025, than you might think.

This type of planning takes time, and many of the estate planners, appraisers and other professionals you need are swamped, retired or simply not knowledgeable enough to help you, so starting the planning process moving is a wise move to make.

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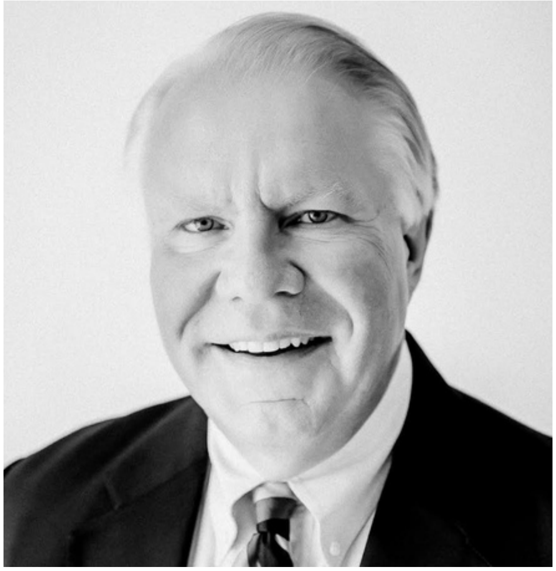

Mark Rehn has more than 35 years of leadership experience in the corporate finance and taxation fields. He recently served as the Tax Director for a global styrene manufacturer, responsible for overseeing tax matters for the Americas region. Previously, he served as Assistant General Counsel and Senior Tax Manager for a global telecommunications and information technology company, managing the organization's corporate tax department. As a consultant, he provided tax and estate planning expertise to business owners. Mark has passed the Illinois Bar Exam and Michigan CPA exam and is currently the CFO and CCO for Stableford Capital, a private wealth management firm made up of experienced portfolio managers and strategists who have decades of institutional experience in complex markets, and a commitment to client education and communication. Stableford provides asset management, financial planning, and tax services under one roof, utilizing a proprietary risk management process to help clients grow and protect their legacy.

To learn more about Stableford Capital and their unique asset management and active planning approach to wealth management, visit https://stablefordcapital.com/

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