


ESTATE PLANNING STRATEGIES: CHANGES IN 2026

JUNE 2024



1

PRESENTER



Steve Walker, CLTC®, LUTCF®
Vice President of Institutional Accounts
E4 Insurance Services

NORTH RISK WEBINARS | 2024




2

DISCLOSURE

- **This presentation is for educational purposes only, and not meant to be all encompassing.**
 - Steve Walker and E4 Insurance Services do not provide legal or tax advice. Please consult your legal and tax professionals to validate any information and for specific guidance.
 - Consult with your attorney and/or CPA for specific legal and tax advice.


NORTH RISK WEBINARS | 2024



3

AGENDA

- What is included in an estate plan
- Exemption and Gifting Limits
 - Past
 - Current
- 2026
- Generational Wealth at a Discount
- Other Considerations



NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERSSM EA INSURANCE SERVICES

4

WHAT IS AN ESTATE PLAN?

- What do you want to have happen with your assets?
 - Who gets your assets?
 - When should they get assets?
- An estate plan, drafted and executed by an attorney helps put these goals into action.
- Not a single item, but rather a personalized plan that works together.



NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERSSM EA INSURANCE SERVICES

5

BASIC TOOLS



- Will
- Power of Attorney
- Health Care Directive
- Guardian for Minor Children

NORTH RISK WEBINARS | 2024

6

WHAT IS A TRUST

1. You put stuff in

2. You list beneficiaries, and what your wishes are.

3. When you pass away, the assets are distributed based on your wishes.

NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERSSM E4 INSURANCE SERVICES

7

THERE ARE MANY TYPES OF TRUSTS

- Revocable
- Irrevocable
- Children's Trust
- Special Needs Trust
- QTIP Trust
- Charitable Remainder Trust
- Generation Skipping Trust

NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERSSM E4 INSURANCE SERVICES

8

PERSONALIZED PLANNING

- YOUR plan should match YOUR goals
- Is my estate likely to be taxed?
- Who do you want to inherit YOUR assets?
 - Your money can go to 3 different places:
 - Family, Charity, Government
- Freeze, Squeeze, or Burn

NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERSSM E4 INSURANCE SERVICES

9

WHAT IS AN ESTATE TAX?

- An estate tax is a death tax
- There is a federal estate tax and some states have their own state estate (or inheritance) tax.
- The modern US estate tax was enacted on September 8, 1916
- Tax imposed at death on gross estate over the estate tax exemption amount
 - For married couples - only at 2nd death
- Estate tax laws are permanent until they are changed.

NORTH RISK WEBINARS | 2024



10

ESTATE TAX EXEMPTION

- *Estate Tax Exemption* = The amount of your estate that is NOT taxable.
- *Gift Limits and Exemption* = The amount of your estate that you can gift to others, to remove assets from your taxable estate.
- *Lifetime Gifting Exemption* = The amount of assets you can gift to others during your lifetime, to remove the asset(s) from your taxable estate.
- *Annual Gifting Exclusion* = The amount of assets you can gift to others during a calendar year, without reducing your lifetime gifting exemption.

NORTH RISK WEBINARS | 2024



11

FEDERAL ESTATE AND GIFT TAX HISTORY

YEAR	ESTATE TAX EXCLUSION	MAX ESTATE TAX RATE	LIFETIME GIFT EXEMPTION	ANNUAL GIFTING LIMIT
1999	\$650,000	60%	\$650,000	\$10,000
2009	\$3,500,000	45%	\$1,000,000	\$13,000
2010	\$5,000,000 (or \$0)	\$35% (or 0%)	\$1,000,000	\$13,000
2017	\$5,490,000	40%	\$5,490,000	\$14,000
2018	\$11,180,000	40%	\$11,180,000	\$15,000
2024	\$13,610,000	40%	\$13,610,000	\$18,000
2026	???	???	???	???

NORTH RISK WEBINARS | 2024



12

STATE ESTATE AND INHERITANCE

State	Inheritance Tax Rates	State	Exemption Level*	Estate Tax Rates
IA [†]	2% - 6%	CT	\$12,920,000	11.6% - 12%
MD	10%	DC	\$4,528,800	11.2% - 16%
KY	4% - 16%	HI [†]	\$5,490,000	10% - 20%
NE	1% - 15%	IL	\$4,000,000	0.8% - 16%
NJ	11% - 16%	ME	\$6,410,000	8% - 12%
PA	4.5% - 15%	MD [†]	\$5,000,000	0.8% - 16%
		MA	\$1,000,000	0.8% - 16%
		MN	\$3,000,000	13% - 16%
		NY	\$6,580,000	3.06% - 16%
		OR	\$1,000,000	10% - 16%
		RI	\$1,733,264	0.8% - 16%
		VT	\$5,000,000	16%
		WA	\$2,193,000	10% - 20%

*Exemption amounts are for 2023.
[†]Hawaii and Maryland allow a surviving spouse to assume the decedent spouse's unused state exemption with an election on a timely filed state estate tax return.

[†]In 2021, Iowa began phasing out its inheritance tax over a five-year period.

13

2017 TAX CUT & JOBS ACT

- Tax Cuts and Jobs Act (Dec 2017)
 - Doubled The Exemption in 2018
 - Keeps Maximum Rate at 40%
 - Sunsets December 31, 2025

NORTH RISK WEBINARS | 2024

14

WHAT TO EXPECT IN 2026

January 1, 2026 - What Happens?

- If TCJA sunsets...
- Exemption goes back to pre TCJA adjusted for inflation
- Estimated \$6.5 - \$7mil

NORTH RISK WEBINARS | 2024

15

2026 OVERNIGHT CHANGE

December 2025

- Husband & Wife with \$30mil estate
- \$0 due in estate taxes
 - Under current estate tax laws

January 2026

- Husband & Wife with \$30mil estate
 - Assuming \$6.5mil exemption each
- \$6.8mil due in estate taxes
 - $\$30\text{mil} - \$13\text{mil} = \$17\text{mil} \times 40\%$

NORTH RISK WEBINARS | 2024



16

PLAN, GIFT, INSURE NOW

- Whether the estate tax exemption sunsets in 2026, or not, it is smart for people to visit with their estate planning attorneys NOW (before it is too late).
- PLAN NOW - make your plans and be ready
- GIFT NOW - if it makes sense, make gifts while the lifetime gifting limits are high
- INSURE NOW - if it makes sense to utilize insurance, do it now before it's too late

NORTH RISK WEBINARS | 2024



17

GENERATIONAL WEALTH AT A DISCOUNT

- Estate equalization
- Leveraged gifts

NORTH RISK WEBINARS | 2024



18

IRREVOCABLE LIFE INSURANCE TRUST (ILIT)

3. Insurance policy pays benefit to the beneficiaries of the trust at grantor's death. Since the policy is owned by the ILIT, the benefits are not included in the grantor's estate.

2. Trustee sends out Crummey Notices to beneficiaries. Then makes premium payment with gift to pay the life insurance premiums.

Grantor

Trustee

Insurance Premium

Life Insurance Policy

Beneficiaries

NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERS

E4 INSURANCE SERVICES

19

ILIT CASE STUDY

- Carl and Cindy are both 57 and in good health.
- They have saved adequately and have more than enough money to enjoy retirement and leave behind a legacy for their 3 children.
- They are worried about estate taxes and how they can build wealth outside of their taxable estate

NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERS

E4 INSURANCE SERVICES

20

WHAT CAN CARL AND CINDY DO?

- Build a \$3,000,000 asset (life insurance policy) in an Irrevocable Life Insurance Trust to pass on tax-free to their kids at a discount for legacy or estate tax needs.
- Annual premiums gifted to the trust to have a paid up policy in 15-years = \$55,796
 - \$836,940 cumulatively
- Life Insurance policy pays out \$3,000,000 at the death of the second spouse
- Leverage, Tax-Efficiency, and Predictability

NORTH RISK WEBINARS | 2024

NORTH RISK PARTNERS

E4 INSURANCE SERVICES

21

A POTENTIAL ROADBLOCK...

- You want to leave your assets to your family.
- You have a roadmap to leave the assets to your family.
- What if you along your journey, you hit a speedbump...
 - All of a sudden you have a new \$10,000 per month "gym membership". What would that do to your plan?
 - That "gym membership" would be similar to needing long-term care. It can have a large impact on your financial situation, along with your family's physical and mental well-being.
- What's your plan if you need care?
 - Where do you want to receive care?
 - Who will provide the care?
 - Who or what will pay for the care?

NORTH RISK WEBINARS | 2024



22

FINANCIAL IMPACT OF A LONG-TERM CARE EVENT

- Insurance is NOT your plan, but insurance can help fund your plan.
- If you need care, what assets will you use to pay for it?
 - Liquid
 - Low Yielding
- Does it make sense to consider repositioning some of these types of assets to transfer some of the LTC risk?
 - Leverage
 - Tax-Efficiency
 - Predictability

NORTH RISK WEBINARS | 2024



23

PLANNING FOR LONG-TERM CARE

- Carl and Cindy want to reposition \$200,000 of their low-yielding and liquid assets to gain leverage for long-term care if needed.
- The \$200,000 purchase insurance that will provide:
 - \$12,555 per month if needed for LTC (per spouse)
 - Up to 96 total benefit months
- Leverage, Tax-Efficiency, and Predictability
 - \$200,000 = \$1,205,266 if needed for LTC
- If care is not needed, \$451,974 passes on to their heirs

NORTH RISK WEBINARS | 2024



24



25
