



# ESTATE PLANNING STRATEGIES: CHANGES IN 2026

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# PRESENTER

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# DISCLOSURE

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- **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.

# AGENDA

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



# WHAT IS AN ESTATE PLAN?

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- 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.



# BASIC TOOLS

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Will

Power of Attorney

Health Care Directive

Guardian for Minor  
Children

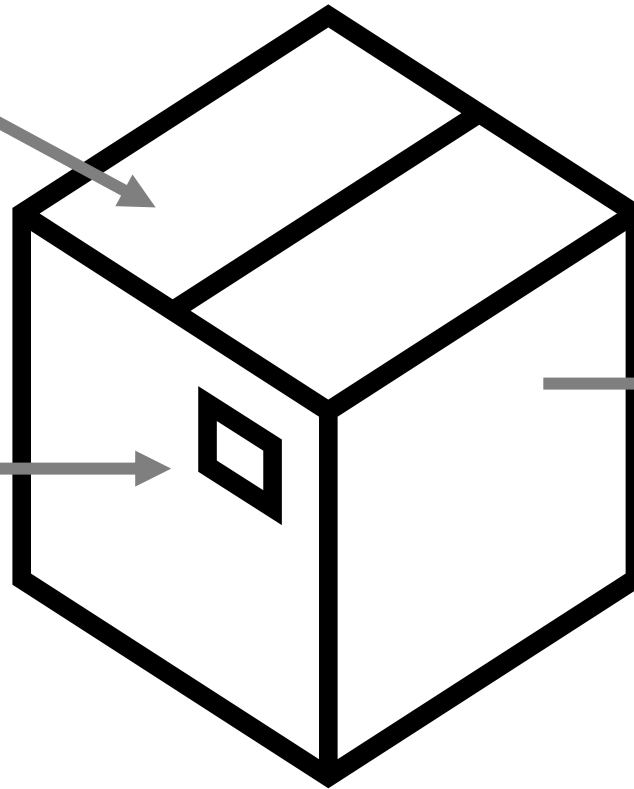
# WHAT IS A TRUST

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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.



# THERE ARE MANY TYPES OF TRUSTS

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

# PERSONALIZED PLANNING

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- 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

# WHAT IS AN ESTATE TAX?

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- 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 2<sup>nd</sup> death
- Estate tax laws are permanent until they are changed.

# ESTATE TAX EXEMPTION

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- *Estate Tax Exemption* = The amount of your estate that is NOT taxable.
- *Gifting 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.

# 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	???	???	???	???

# STATE ESTATE AND INHERITANCE TAXES

State	Inheritance Tax Rates
IA <sup>1</sup>	2% - 6%
MD	10%
KY	4% - 16%
NE	1% - 15%
NJ	11% - 16%
PA	4.5% - 15%

State	Exemption Level*	Estate Tax Rates
<b>CT</b>	<b>\$12,920,000</b>	11.6% - 12%
<b>DC</b>	<b>\$4,528,800</b>	11.2% - 16%
<b>HI†</b>	<b>\$5,490,000</b>	10% - 20%
<b>IL</b>	<b>\$4,000,000</b>	0.8% - 16%
<b>ME</b>	<b>\$6,410,000</b>	8% - 12%
<b>MD†</b>	<b>\$5,000,000</b>	0.8% - 16%
<b>MA</b>	<b>\$1,000,000</b>	0.8% - 16%
<b>MN</b>	<b>\$3,000,000</b>	13% - 16%
<b>NY</b>	<b>\$6,580,000</b>	3.06% - 16%
<b>OR</b>	<b>\$1,000,000</b>	10% - 16%
<b>RI</b>	<b>\$1,733,264</b>	0.8% - 16%
<b>VT</b>	<b>\$5,000,000</b>	16%
<b>WA</b>	<b>\$2,193,000</b>	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.

<sup>1</sup>In 2021, Iowa began phasing out its inheritance tax over a five-year period.

# 2017 TAX CUT & JOBS ACT

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

# WHAT TO EXPECT IN 2026

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January 1, 2026 - What Happens?

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

# 2026 OVERNIGHT CHANGE

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## 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
  - $\$30\text{mil} - \$13\text{mil} = \$17\text{mil} \times 40\%$

# PLAN, GIFT, INSURE NOW

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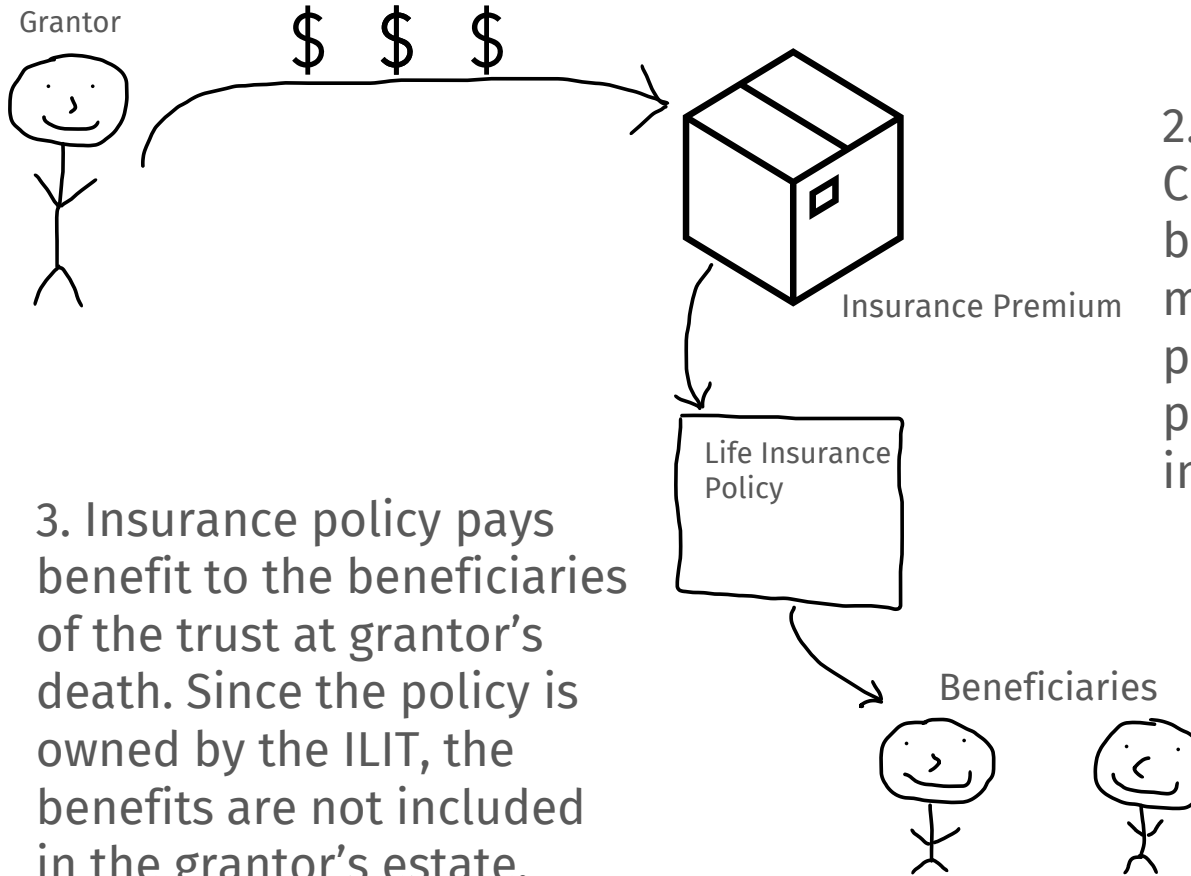
- Whether the estate tax exemption sunsets in 2026, or not, it is smart for people to visit with their estate planning attorneys NOW (before it is too late).
- PLAN NOW - make your plans and be ready
- GIFT NOW - if it makes sense, make gifts while the lifetime gifting limits are high
- INSURE NOW -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

# GENERATIONAL WEALTH AT A DISCOUNT

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- Estate equalization
- Leveraged gifts

# IRREVOCABLE LIFE INSURANCE TRUST (ILIT)



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

Trustee



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.

# ILIT CASE STUDY

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- 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



# WHAT CAN CARL AND CINDY DO?

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- 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

# A POTENTIAL ROADBLOCK...

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- 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?

# 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

# PLANNING FOR LONG-TERM CARE

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- 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

# QUESTIONS?

