

January 2018
Ask a Trust Officer

Review estate plans in 2018

Dear Trust Officer:

I heard that the exemption from the federal estate tax has doubled. What does this mean for my estate plans?—*Following Up*

Dear Following:

Whenever there is a major change in the federal taxation of estates and gifts, that moment is a good one for the review of estate plans already in place. In most cases, nothing will need to be changed, but sometimes adjustments will be in order.

The amount exempt from federal estate tax is now \$11.2 million per taxpayer (so \$22.4 million for a married couple). That means the federal estate tax becomes a remote concern for the overwhelming majority of Americans. However, this increase expires in 2026, when we go back to something in the \$5+ million neighborhood (depending upon inflation).

Families with fortunes that may be vulnerable to the federal estate tax will want to look into lifetime transfers to capture the enlarged exemption from federal gift tax.

Families whose fortune never is likely to cross the \$5 million line still will need to answer these questions:

Do you live in a state that still imposes death taxes (that is, estate or inheritance tax)? If so, the taxable threshold is likely far below the federal one.

Does your will or trust include a formula clause that refers to the amount exempt from federal estate tax? If so, the interpretation of that clause has now been called into question.

Have there been any changes of circumstances that render your estate plan less than optimal? Have there been any births, or any deaths or divorces, that should be taken into account? Have any asset values changed dramatically, so that specific bequests no longer match earlier intentions?

Are the beneficiary designations on nonprobate property (life insurance, retirement plans and the like) correct? Neglected beneficiary designations have been the source of many a lawsuit over an estate.

You should plan to meet with your estate planning advisors in the first quarter of 2018.

Do you have a question concerning wealth management or trusts? Send your inquiry to trust@countryclubtrust.com

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