current gift and estate planning opportunities.

Jason Uetrecht • Jun. 18, 2020

As tax practitioners and financial planners, we began this year digesting and incorporating the retirement provisions of the SECURE Act into our clients' tax and financial plans. As the Pandemic spread, we quickly shifted gears to learning and helping our clients understand the various phases of Covid-19 relief including stimulus payments, net operating losses and other business provision changes, payroll tax credits and deferrals, and of course, the complexities of the Payroll Protection Program. Not to complicate matters, but all of this hit as we were progressing further into our traditional tax compliance busy season.

Arising out of the dust from all of this change and uncertainty came an opportunity… estate planning for our business owner and high net worth clients and families.

While the new normal is certainly about as far from normal as most had ever

techniques. Sound familiar?

The current Pandemic has certainly resulted in quick and large declines in company valuations. While the public markets have regained some of those declines, no one knows the long term impact to the financial markets. We are in an ultra-low interest rate environment. And the estate tax exemption? Sure, it is currently at an all-time high, for now anyway. Uncertainty surrounding the upcoming Presidential election and make-up of Congress could have an impact on that. And if nothing happens in the interim, the largely inflated exemption that currently exists is set to revert back to its pre-increase levels after 2025.

Add all of this together and you have a recipe for tremendous estate planning opportunities.

As practitioners, now is the time to have these discussions with our clients, including those who are in the process of estate planning, as well as those who have approached the process, but who have been reluctant to act.

Current gift and estate tax law provides for a lifetime gift exemption of almost $11.6 million. As a result of market valuation declines, wealthy families with investments in real estate, public securities, and owners of closely-held businesses should consider utilizing one or more of the various estate planning related techniques to shift their wealth to the next general generation at a reduced valuation. At lower asset valuation levels, a larger amount of the investments or the business can be transferred today, and the end result could very well be a greatly minimized estate tax bill.

Of course estate tax minimization is not the determinant factor, and practitioners have to understand how the estate plan will impact their client's overall financial plan, and ultimately, the family's overall goals and objectives. Practitioners cannot do this type of planning in a bubble. Rather, the estate plan has to be coordinated

our clients will be interested in hearing about these ideas from their advisors, but most would be averse to implementing a technique which would potentially threaten to alter their current status quo.

Also, when we are talking about gifts of real estate and companies (public or private) of these levels, our clients will be much more willing to implement a strategy if there are asset protection attributes and if they are comfortable with the irrevocability and control aspects of the transferred assets. This is where the advisor "team" approach will be necessary. Engaging the client's estate attorneys is necessary in drafting the client documents required to implement these types of transactions.

While no one can predict how long the current environment will last, practitioners are in a unique situation to advise their clients on how they might take advantage of current gift and estate planning opportunities.

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