accommodate shifts in tax legislation.

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Does the thought of estate planning trigger a surge of anxiety? If so, you're in plentiful company.

Estate planning can be one of the most intimidating, complex and emotionally charged financial necessities a family takes on together. There is little room for error, as savers look to safeguard their legacies and protect their families for generations to come. And while money and emotions are always entangled with one another, those

Tax changes are always on the ballot

While it may seem dizzying to keep tabs on the endless proposed changes discussed on Capitol Hill, there are some tax legislative changes that bear greater impact on your financial and estate plans.

The estate planning landscape has seen significant transformation over the past few years, as legislators respond to the ever-changing challenges and needs of Americans. One important change happened via the Tax Cut and Jobs Act of 2017. This increased the estate tax exemption from $5.6 million to $11.18 million, adjusted for inflation. In 2023, that amount is $12.92 million per decedent. For a married couple, that means the estate tax (aka the "death tax") wouldn't kick in until their total assets exceeded $25.84 million. As recently as 2008, the estate tax exemption was only $2 million per decedent (or $4 million per couple).

Recent passage of the SECURE Act 1.0 and 2.0 implemented changes to inherited IRAs, required minimum distributions (RMDs), trusts and more. One key change was the elimination of the "stretch IRA" for non-spousal beneficiaries (some exceptions apply). Under pre-SECURE Act law, a child of the IRA owner could stretch distributions out over their lifetime, effectively reducing or delaying income tax on those distributions. Under current law, they must withdraw the entire account within 10 years of the original account owner's death. Rightfully so, this had led to a rise in converting traditional IRAs (tax-deferred) to Roth IRAs (tax-free) during the owner's life.

The 2024 presidential election is already heating up, and each party's platform could have implications on your estate plan. Every year, the president releases the administration's budget plan, known as the Greenbook (it gets its name from its distinctive green cover), which includes proposed tax law changes. While all these proposals won't pass, it's important to take note of what the administration is

This gives individuals only a few years to take advantage of the higher exemption unless the president and Congress agree to extend this provision. Extending at the current level will depend on who is in control of the White House and Congress after the 2024 election. When it comes to navigating these changes, strategic and advanced planning makes all the difference.

Creative strategies and advanced planning protect your legacy

While navigating these tax changes can be a challenge, they also present real opportunities for strategic planning. For instance, the estate tax exemption changes could drive higher-net-worth individuals to set up some kind of grantor trust, like a spousal lifetime access trust (SLAT). Another strategy, and one that works best in our current higher-interest-rate environment, is a qualified personal residence trust (QPRT). This involves gifting a property to a trust but allows you to retain effective ownership for a period of time (e.g., 10 years).

At the end of the term, the property passes to the trust beneficiaries. By retaining control for a period of time, the value of the gift is reduced below fair market value. Think of it as making a gift at a discounted value. The ideal individual is someone who has a family vacation home that they want to pass to the next generation but isn't ready to give up complete control.

A lot of tax-advantaged estate planning strategies involve giving up control of some of your money to protect it. After years spent accumulating wealth, it can be difficult to trust in the process enough to relinquish control. Particularly in times of market turmoil, emotions are even higher, and individuals who are already watching their account balances go down due to the markets and economy don't necessarily want to give more money up by funding their trusts.

It is important to think opportunistically about where your money is going and not

goals, or external factors such as legislative changes.

One way is by providing broad distribution standards in your documents. This gives the trustee greater ability to make distributions as times and lives change.

A few other ways include providing powers of appointment, which allows the beneficiary some control over who receives money in the future; naming a trust protector; providing the power to change the trustee; or providing reimbursement provisions for grantor trusts, which allows the trust to make distributions back to the grantor to cover tax liabilities paid for by the grantor on the trust's income.
As Congress and the IRS continue to see individuals taking advantage of tax loopholes, laws will continue to change.

It is also important to be aware that many of the acts and changes that are proposed or talked about may not ever come to fruition. This is where it is important to work closely with a trusted advisor who will know when, or when not, to make a move and can filter through what is "media noise" and what actually needs to be addressed.

Finding a balance between being proactive in adjusting your estate plan, but not overly reactive to news that you hear, is crucial.

Many individuals think of estate planning as a once-and-done event, but that could not be further from the truth. It is crucial to revisit all of your estate documents on a regular basis to ensure they are consistent with not only your overall goals, but with the current laws that are in place as well. Staying informed and in contact with your trusted advisor will put you in a better position to protect your legacy and your loved ones now and into the future.

About the author:

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