Shawn Plummer • Nov. 21, 2023

Accountants play a huge role in estate planning—from knowing your client's asset and property values inside out to helping them plan how to manage and distribute these assets in case of an unplanned death.

More often than not, people with no estate plans leave behind a huge deal of mental stress on their loved ones on how to manage and distribute properties which often leads to disagreements, on top of the emotional distress caused by death.

In this article, we will tackle why early estate planning strategies are critical to your

many situations, family disputes.

An estate plan begins with a will, and there is no question that a lawyer is the first person we think of when it comes to estate planning. However, accountants play a crucial and very important role in this process. In fact, there are estate planning CPAs who specialize in the field and are up-to-date on the changing laws and taxation of estate planning.

An estate planning accountant:

- Performs audits and makes an inventory of assets
- Develop plans to legally minimize taxes
- Helps make succession plan in case of death or incapacity
- Set expectations on the future value of assets

Guiding your clients with estate planning

If you are an accountant who plans to specialize in guiding your clients into the estate planning process, here are some points you may want to remember:

Navigating taxation

Accountants are experts in taxes, especially estate planning CPAs. As a small business accountant, you will be guiding your clients on the best ways to legally minimize tax payments on your estate—either by trust or gift.

Anthony Martin, Founder and CEO of Choice Mutual, says, "People are not exactly thrilled with the idea of paying estate taxes, which is normal, as estate taxes can be pretty high. This is why accountants play a crucial role in the process because there are ways to go around paying estate taxes with proper planning and guidance."

According to the IRS, the threshold for the exemption of an estate from taxation is if

According to Andrew Pierce, CEO at LLC Attorney, "Tax avoidance is different from tax evasion. While tax evasion is illegal, tax avoidance is a legal roundabout way that people can make use of existing tax laws to pay minimal. This can be tricky in many ways because the line between the legality of methods is subject to many rules and regulations."

Gifting assets to family

Gifting assets to the family may be one of the best ways to get around estate taxes. In theory, gifting assets is subject to similar tax rates as estate taxes (i.e. $12.92 million lifetime threshold and 18 to 40 percent tax rates), however, gifting assets allows your clients to avoid estate taxes by limiting the value of their gifts to $17,000 per year.

What does this mean?

This means that early estate planning is beneficial for your clients because of the opportunity to disperse the value of your tax gifts over several years. For example, you can give $17,000 tax gifts every year without getting hit by gift tax until your client goes down the non-taxable $12.92 million threshold.

There's no limit as to how many people a person will give gifts to in a year, as long as it doesn't exceed the set threshold. It is important to know, however, that:

- Annual gift tax limits increase year by year, $17,000 in 2023 and $18,000 by 2024
- Estate tax thresholds also increase year by year, $12.92 million in 2023 and $13.61 million in 2024
- The $12.92 million threshold applies to both estate and gift taxes at the same time

Irrevocable life insurance trust

Life insurance is an excellent investment to make sure that your client's loved ones

without additional distress."

To prevent life insurance from being taxed, recommend irrevocable life insurance taxes instead. Revocable life insurance is the most common form of life insurance as it gives your clients more flexibility to make changes if they want, but irrevocable life insurance essentially transfers ownership of these assets to a trust—making them not part of a person's taxable estate. In this case, the trustee is the one who manages the assets, and any transfers and gifts made to the trust cannot be changed.

Irrevocable trust not only protects your assets from estate trust but from creditors as well. It is important to make it clear to your clients that irrevocable trust doesn't mean that these assets are free from taxes—the burden will only be shifted to the beneficiaries instead.

Charitable donations

Giving charitable donations can also reduce the value of one's taxable estate, however, note that these charitable donations must be made to qualified 501(C)(3) organizations which can be churches, charities, or private foundations that are nonprofit and with a dedicated mission.

There is no limit to the amount or value of donation given to a qualified organization. The full amount of the donation will be deducted from their taxable estate.

Charitable trusts

Contrary to a one-time charitable donation, setting up a charitable trust allows for benefits for your client, their beneficiaries, and the charitable institution.

There are two kinds of irrevocable charitable trusts, as follows:

- **Charitable lead trust.** A charitable lead trust is a trust set up to provide an income

Wrapping up

It is never too early to start estate planning. Getting your clients to understand how early estate planning benefits them in the long run, especially in terms of taxation, will help them generate significant tax savings with the help of an accountant well-versed in estate planning taxation.

BIO:

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Shawn has been a licensed financial professional focusing on annuities and insurance for more than a decade. His former role was training financial advisers, including for a Fortune Global 500 insurance company. He's been featured in Time magazine, Yahoo! Finance, Entrepreneur and Bloomberg.

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