

Increased Wealth Transfer Tax Exemptions Impact Estate Plans— Action Recommended

Spring 2019

The Tax Cuts and Jobs Act, which took effect on January 1, 2018, temporarily doubled the estate, gift, and generation-skipping transfer (GST) tax exemptions from \$5 million (adjusted annually for inflation) to \$10 million (also adjusted annually for inflation). For 2019, the inflation-adjusted exemption amount is \$11.4 million per person. The doubled exemptions are currently scheduled to expire January 1, 2026, when the estate, gift and GST tax exemptions will revert back to \$5 million, adjusted for inflation.

Because of the temporary nature of the increased exemptions, wealthy individuals currently have a window of opportunity for gift and generation-skipping transfer tax planning that can provide significant wealth transfer tax savings.

There are a variety of options and planning techniques that can be used to take advantage of the increased exemption amounts and that can be tailored to fit your circumstances and family goals. We strongly encourage you not to wait to consider utilizing the increased exemption, as many sophisticated planning techniques take time to implement. In addition, with shifting control in Congress and a presidential election coming up next year, it is very possible that Congress may act to reduce the exemption amounts sooner than 2026, in which case the opportunity to make use of the larger exemptions to shelter otherwise taxable transfers from transfer tax may be lost.

Changes in exemption amounts may also have a significant impact on many existing plans and can cause unexpected results. For example, wills and revocable trusts frequently contain formula bequests based on estate tax exemption levels, and a large increase (or decrease) in exemption amounts can mean these formula bequests no longer match a client's expectations and wishes.

It is critical to review your existing estate plan in light of the increased exemption amounts and to consider the opportunities for planning and transfer tax savings afforded by these increased exemptions while they are in place. Please contact a [member](#) of the [Private Wealth Group](#) to discuss the effect of the new law on your planning.

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