

Three Reasons to Revisit Your Estate Plan in 2020

Winter 2020

The current estate planning environment, with low interest rates and high estate, gift, and generation-skipping transfer tax exemptions, provides excellent planning opportunities for wealth transfer tax savings. In addition, Congress enacted legislation at the end of 2019 that significantly impacts planning for retirement accounts. These three factors—low interest rates, high exemptions, and recent legislative changes—merit a review of your estate plan in 2020.

As widely seen in the news, interest rates are currently very low, which presents a variety of planning opportunities for high net worth families. For transactions entered into in January 2020, the IRS-imposed minimum interest rates range from 1.6% to 2.07%, depending on the type of transaction. Clients who have intra-family loans may wish to renegotiate the interest rates and terms of the loans. Clients may also wish to engage in other wealth transfer planning strategies that are tied to interest rates, such as sales to intentionally defective grantor trusts and the implementation of grantor retained annuity trusts (GRATs).

As we have previously noted, 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 2020, the inflation-adjusted exemption amount is \$11.58 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. In addition, the IRS recently issued taxpayer-friendly regulations, which clarified that gifts made now using the increased exemption will not be subject to gift or estate tax later when the exemptions go back down.

Finally, at the end of 2019, Congress passed the SECURE Act, which brought several changes to the treatment of retirement accounts, including the elimination of the “stretch IRA.” Previously, inherited retirement accounts could generally be distributed over the beneficiary’s life expectancy. Under the new law, with limited exceptions, such inherited retirement accounts must now be distributed within 10 years after the owner’s death. However, the new law still permits surviving spouses to roll over or stretch inherited retirement accounts.

It is critical to review your existing estate plan in light of the opportunities for planning and transfer tax savings afforded by these low interest rates and the increased exemptions, as well as the changes to retirement accounts. Please contact a member of the [Private Wealth Group](#) to discuss how the current planning climate affects you.

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