



The Federal Estate and Gift Tax is Set to Expire in December: Act Now

The federal estate and gift tax exemption is scheduled to sunset to 2017 levels at midnight on December 31, 2025, meaning the exemption could be cut in half. In 2025 the federal estate tax exemption is \$13.99 million for individuals and \$27.98 million for married couples. The tax exemption would drop back to an estimated \$7 million for individuals and \$14 million for married couples. The federal estate tax is calculated using a series of brackets with a maximum rate of 40%.

This exemption has enabled families to pass along substantial gifts including generational wealth free of tax. It is possible that congress could pass legislation to extend or modify the exemption, but the current exemption is scheduled to end at midnight on December 31.

It is crucial for families with a potentially taxable estate to start planning now to take advantage of the current federal estate and gift tax exemption. To calculate your taxable estate, you should take into account everything that you own at the date of your death, including your investment portfolio, real estate, closely held businesses, and possibly life insurance policies.

Setting up a trust is a helpful strategy to protect your wealth from this tax burden. An irrevocable trust allows you to maintain a level control over the trust assets and over how and when your beneficiaries will receive distributions. It is important to decide what provisions to include in your trust. For married couples, spousal lifetime access trusts are great way to keep significant control over the trust assets and maintain flexibility.

Another strategy to lessen this burden is to make direct gifts of cash or other assets up to the lifetime exemption before December 31. Before you make gift, it is

important to project your lifetime expenses and make sure that you will be secure from a financial standpoint.

When deciding what strategy is best for your specific needs and situation, it is important to consult with a tax, trust, and estate attorney.

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