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 JUPITER MEDICAL CENTER

ESTATE PLANNING GAME CHANGER

How Tax Legislation Made All The Difference



Richard S. Bernstein

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The estate planning landscape has changed significantly within this past year. The Tax Cuts and Jobs Act has warranted entire overhauls of many families' estate plans and has triggered planning for others. **The change in the gift and estate tax alone is enough to modify the structure of many plans, but there are other provisions in the act that have a significant impact on estate planning.** We've covered many of these changes throughout the year and have summarized them in this article.

GIFT AND ESTATE TAX

The gift and estate tax exemption is increased from \$5,490,000 to approximately \$11,200,000 for single filers. Accordingly, married couples can double that value for joint filing purposes. **While some families believe this means they no longer have to worry about estate taxes, the doubling of the exemption sunsets to its previous value in 2026.** Additionally, depending on who is in Congress, the bill can be reverted earlier than that. **Therefore it is advisable for families to create their estate plan under the new exemption amount sooner than later.**

ESTATE PLAN FORMULAS

Estate plans often contain fund allocation formulas that are tied to the gift and estate tax exemption. **The tax bill changes how these formulas relate to each other and should be closely scrutinized.** For example, many estate plans have a primary and secondary trust, where once the exemption amount for the first is met, the remainder of funds goes to a secondary trust. **Considering the exemption has been doubled, this may lead to secondary trusts receiving little or no funds from the first trust.** A well-drafted estate plan ensures that all trusts are funded appropriately.

BUSINESS PLANNING

Estate planning and business planning often go hand in hand for families who own closely held businesses. **The tax bill reduces what is owed in taxes when the business passes on, but there are also other opportunities that the bill presents for family businesses.** Many companies are realizing or are projecting increased cash flows due to the tax bill. All things being equal, this will require business owners to do something with that cash. **They can invest it in illiquid assets or keep it on hand, or they can apply it to estate planning through life insurance. This technique preserves liquidity in the company while also allowing the life insurance asset to grow tax-deferred.**

This article only touches the surface of how the Tax Cuts and Jobs Act has impacted estate planning. **It's important to consult with your advisors, as there are many other aspects of the bill that can be applied on a case by case basis.**

If you have any questions about the content in this article, call us for a confidential consultation with one of our experienced advisors at 561.689.1000.



Arthur L. Bernstein

Arthur L. Bernstein is instrumental in new group/employee benefits development and individual life insurance planning at Richard S. Bernstein & Associates, Inc. He assists corporations to expand their current revenues while creatively exploring additional methods to reduce insurance costs.

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