



## DO NOT LET THE "SUN SET" ON YOUR ESTATE & GIFT TAX OPTIONS

### UNDERSTANDING THE CHANGES SCHEDULED IN LATE 2025

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The landmark Tax Cuts and Jobs Act of 2017 (TCJA) has had a profound impact on many clients who may have a taxable estate between the years 2018 and 2025. This law more than doubled the "unified credit", which is the amount an individual can gift or leave free of federal gift or estate tax upon death to a non-spouse. The increased unified credit is currently 13.61 million per person and will increase to 13.99 million per person in January of 2025. For married couples, the exemption doubles if properly structured.

The unified credit is very important in that every dollar which exceeds the credit amount is taxed at a federal rate of 40%. Additionally, this amount is also "portable" between spouses meaning that any portion not used by the first spouse at death can be transferred for use by the second spouse and added to his/her unified credit amount. To achieve portability, the estate of the first spouse must file a federal estate tax return to claim that benefit. As an example, let's say there is a married couple, and Husband dies first with \$10,000,000 in his estate in 2024. Since Husband is under the unified credit of \$13,610,000, the entire \$10,000,000 is not subject to federal estate tax. The "unused" \$3,610,000 can then pass to his surviving spouse who now has an increased amount of \$17,220,000 which may pass through her estate (as opposed to the original \$13,610,000) excluded from federal estate tax.

However, this increase is not permanent as the TCJA contains a "sunset provision" which limits the increased amount to be in effect until December 31, 2025. Absent swift action by Congress and the President to renew or extend the act, the unified credit amount will return to the 2017 levels on January 1, 2026. Adjusted for inflation, the unified credit amount would drop back to an estimated 7 million.

With the sun getting close to the horizon, it is imperative that families review their current estate and financial structures. There is a combination of strategies that can be implemented in an effective estate plan, including trust structures, generational planning, charitable planning, and annual and lifetime gifting. The current unified credit levels provide a unique opportunity for certain lifetime gifting strategies, so long as they are implemented before the end of 2025, which can significantly reduce one's exposure to taxation should the sunset go into effect. There is one year left so time is potentially running out. It is strongly recommended that individuals be proactive and start to contemplate changes to their estate plan to protect themselves, their family and assets from the heavy burden of federal estate taxes. Whether your existing estate plan was created recently or some years ago, it is time to have a conversation with your advisor now, so you can make well educated decisions about your family's financial future.

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#### KEY TAKEAWAYS:

There has been significant asset appreciation since the great financial crisis which could mean that adjustments to your estate plan may need revisiting.

Current Estate gifting amounts are currently scheduled to sunset and revert to their prior amounts on December 31, 2025.

Prior to hiring an estate planning firm, it is important to have clarity and a true understanding of where you would like to make an impact with your wealth's legacy,

A comprehensive wealth management firm such as Zermatt Wealth has the expertise and systems to help you quickly analyze your potential estate tax exposure and work with you to develop optimal strategies to mitigate the estate tax burden.

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