

WEALTH MANAGEMENT UPDATE

August 2025

Estate planning without death taxes

Put your beneficiaries first.

The traditional “hot button” that motivates people to see their lawyers about estate planning is taxation. Death taxes—inheritance taxes, estate taxes, federal taxes and state taxes—have taken a notorious toll on unplanned estates over the years. With sound planning, that burden can be lightened or even eliminated. In some cases, the tax savings easily cover the cost of the attorney’s fees for creating the estate plan.

However, that hot button has cooled considerably. This year, the federal estate tax applies to estates larger than \$13.99 million. Next year, the exemption level goes to \$15 million, thanks to the One Big Beautiful Bill signed by President Trump on July 4. This change is permanent, unlike past increases in the exemption amount, and there will be additional inflation adjustments in subsequent years. For a married couple, each partner has an exemption, so \$30 million can easily dodge federal estate and gift taxes.

Estate planning checklist

- ✓ Inventory assets
- ✓ Identify beneficiaries
- ✓ Check beneficiary designations
- ✓ Weigh trust benefits
- ✓ Make a will
- ✓ Make a living will
- ✓ Execute a durable power of attorney
- ✓ Create a document locator
- ✓ Make arrangements for any safe-deposit box



However, there are other taxes to be considered at death. State inheritance and/or estate taxes typically kick in at much lower wealth levels. There are also income taxes to take into account, particularly income in respect of a decedent (this primarily affects retirement plan pay-outs after the death of the account holder).

Estate planning has always been about much more than tax planning. It is about financial protection for beneficiaries, with tax minimization just a means to that end. If you haven't attended to your estate planning, don't put it off any longer.

Evaluate

- To begin, you have to know what you are working with.
- **Inventory assets.** Your estate plan will have to dispose of everything that you own; otherwise, the state's law of intestacy will apply. This includes bank accounts, stocks, bonds, real estate, and business interests. Don't overlook insurance policies and retirement plan benefits. Personal property, such as fine art, collections, jewelry, and cars should also be taken into account. Lastly, you will need to know which property is owned jointly, and which is owned outright.
 - **Identify beneficiaries.** A surviving spouse and children are the usual people to be protected. You may choose to have more distant relatives you wish to include, and you may want to remember some charities in your estate plan. Lastly, don't overlook the need to care for your pets after your death.
 - **Check beneficiary designations.** If you have an IRA or an employer-provided retirement plan, you already started on your estate planning when you made your beneficiary designations. These designations should be reviewed periodically, especially when there have been changes in family circumstances, such as a divorce.
 - **Weigh trust benefits.** Trusts offer a wide range of financial benefits, which can be especially valuable when beneficiaries need help with money management. Trusts

may be established and funded during life (the living trust) or in a will (the testamentary trust). See "Intro to trusts" below for more.

Implement

- The next steps require the advice of an attorney and the execution of legal documents.
- **Make a will.** Your will contains instructions for the disposition of your property. It also nominates an executor or personal representative to manage the settlement of your estate.
 - **Make a living will.** This document addresses your expectations for medical care at the end of your life. You also may want to execute a power of attorney for health care to identify an individual to make medical decisions on your behalf.
 - **Execute a durable power of attorney.** Identify an individual who can make financial decisions on your behalf.
 - **Create a document locator.** Your family needs to know where your will and powers of attorney are kept. Your executor will need to know the location of all your other important papers, such as tax returns, account statements, property deeds, and insurance policies.
 - **Make arrangements for any safe-deposit box.** A safe-deposit box is closed upon death and cannot be opened until probate. Often that makes it a poor choice to keep documents in it that may be important at death.
- These steps are not complete; they are simply suggestive of the ranges of issues that you will need to address in your estate planning.

Our invitation

We specialize in trusteeship and estate settlement. We are advocates for trust-based wealth management strategies. If you would like a "second opinion" about your estate planning, or if you have questions about how trusts work and whether a trust might be right for you, turn to us. We'll be happy to tell you more.

Intro to trusts

A great variety of financial protection strategies may be implemented with careful trust planning. Among the choices to evaluate:

Marital trusts	Several options are available to provide lifetime asset management and financial protection for a surviving spouse.
Support trust	For an adult child who needs a permanent source of financial support, with the trust principal protected from the claims of creditors, a support trust may provide a solution. The beneficiary's interest is limited to just so much of the trust income as is needed for his or her support, education, and maintenance.
Discretionary trust	The trustee has sole discretion over what to do with the income and principal, just as the grantor does before the trust is created. The beneficiary has no interest in the trust that can be pledged or transferred. When there are multiple beneficiaries, the trustee may weigh the needs of each in deciding how much trust income to distribute or reinvest, when to make principal distributions, and who should receive them. The trust document often will include guidelines on such matters.
Spendthrift trust	The beneficiary is forbidden to transfer any financial interest that he or she has in the trust and may not compel distributions.
Gift-to-minors trust.	For young children, contributions of up to \$19,000 per year to this sort of trust will avoid gift taxes. A married couple together can set aside \$38,000 each year for each child or grandchild, so in a few years a significant source of capital may be built up. Assets may be used for any purpose, including education funding, and will be counted as the child's assets for financial aid purposes. The assets of a gifts-to-minors trust must be made fully available to the child when he or she reaches age 21. However, the child may be given the option of leaving the assets in further trust.



New tax rules

The “big, beautiful” tax and spending law signed by President Trump on July 4 will make tax planning more interesting this year.

The key estate planning news is that the bill boosts the federal estate and gift tax exemption to \$15 million in 2026, with future inflation adjustments. More significantly, this change is permanent. Other important changes include:

- Provisions of the Tax Cuts and Jobs Act of 2017 will not expire at year-end, which heads off a scheduled tax increase for 62% of taxpayers. This includes the wider tax brackets, the increased standard deduction, the increased exemption for the alternative minimum tax (AMT), and the elimination of the personal exemption.

- Some of the tax subsidies for “green” energy, as enacted in the Inflation Reduction Act, have been repealed.

- For tax years from 2025 through 2028, up to \$25,000 of tip income will be tax-free for some individuals (income under \$150,000 for singles, \$300,000 for married filing jointly); up to \$12,500 of overtime pay will be tax-free for single taxpayers (\$25,000 for marrieds filing jointly, subject to the same income limits); up to \$10,000 of interest on auto loans for autos with final assembly in the U.S. will be deductible; and most seniors will get an enlarged standard deduction.

- There will be an increase in the deduction limit for state and local taxes (SALT) to \$40,000.

Revenue effects

The Joint Committee on Taxation (JCT) projected revenue estimates for the Senate bill [JCX- 34-25 R] on a “current policy” basis, which assumed that prior tax rules did not lapse at the end of the year. The 10-year impact from the extension of current tax rates will reduce revenue by \$73.36 billion. The extension and enhancement of the child tax credit will lower tax receipts by \$124.04 billion. Terminating a variety of “green energy” tax benefits will raise nearly \$500 billion.

The permanent \$15 million estate and gift tax exemption is projected to reduce revenue by \$10.4 billion over 10 years.

Distribution of benefits

The JCT also estimated the effect the new law will have on various income categories. The tax cut percentage ranged from 21.4% for those in the \$15,000 to \$30,000 bracket to 10.1% for those earning \$1 million or more. The biggest change in dollar value was for taxpayers with income from \$200,000 to \$500,000. As a group, they will save \$150 billion.

Interestingly, the share of federal taxes paid by the highest income group will go slightly up, not down, under the new law. The table below shows the tax shares according to JCT.

Distribution of revenue effects of the One Big, Beautiful Bill for calendar year 2027

Income Category	Old Law		New Law	
	Billions	Percent	Billions	Percent
\$0 to \$80,000	\$438.7	8.6%	\$381.5	8.3%
\$80,000 to \$100,000	\$250.5	4.9%	\$221.8	4.9%
\$100,000 to \$150,000	\$610.3	12.0%	\$545.1	12.0%
\$150,000 to \$200,000	\$542.4	10.6%	\$484.5	10.6%
\$200,000 to \$500,000	\$1,545.8	30.3%	\$1,395.6	30.6%
\$500,000 to \$1 million	\$593.4	11.6%	\$520.8	11.4%
\$1 million and up	\$1,123.7	22.0%	\$1,010.2	22.2%
Total, all taxpayers	\$5,104.9	100.0%	\$4,544.3	100.0%

Source: JCX 33-25; M.A. Co.

Note that in the JCT calculations, income starts with adjusted gross income, then adds tax-exempt income, employer contributions for health plans and life insurance, the employer share of FICA tax, workers' compensation, nontaxable Social Security benefits, the insurance value of Medicare benefits, alternative minimum tax preference items, individual share of business taxes, and the excluded income of Americans living abroad. Given this broad definition, the JCT calculated the average tax rate under present law to be 20.9%, and under the proposal, 18.7%.

National Whistleblower Appreciation Day

On July 30 this year, the Internal Revenue Service Whistleblower Office recognized the valuable role that whistleblowers play in collecting funds from tax cheaters. The reward for blowing the whistle ranges from 15% to 30% of the proceeds collected that are attributable to the information provided by the whistleblower to the IRS. The Whistleblower Office was established in 2007.

In fiscal year 2024, the IRS paid out \$123.5 million to whistleblowers, based upon the collection of \$474.7 million. The number of claims filed that year, 14,926, was 13% higher than the average of the prior four years. Since the Whistleblower Office was founded, over \$1.3 billion has been paid, based on the successful collection of \$7.5 billion from “noncompliant taxpayers.”

On the one hand, it's not much money for the enormous federal budget. On the other hand, it's one program that fully pays for itself.

Taxable settlements

Adrienne Menemeyer started working for the brokerage firm, Edward Jones, in 2005. She was promoted, became a financial advisor, and obtained licenses to sell securities and insurance. Perhaps it was due to upon this success that, Adrienne was recruited by PNC Investments LLC, a subsidiary of PNC Bank. She began working for PNC in 2012, but there were problems. PNC terminated Adrienne's employment on December 12, 2013. A document was filed with FINRA stating that the reason for the termination was Adrienne's dishonesty.

With that black mark on her record, Adrienne couldn't find employment in the securities industry. In December 2015, she filed a claim against PNC for defamation, wrongful termination, unfair competition, tortious interference with a business expectancy and expungement. She won her case in the subsequent FINRA arbitration, and she was awarded \$300,000 in compensatory damages and \$1.5 million in punitive damages. After PNC filed a notice of appeal, a settlement was reached, reducing the total award to \$1.51 million.

Adrienne received her share of the award in 2018 (her lawyers received one-third of it). She retained the services of a tax attorney for that year and was advised to include roughly half of the award in her taxable income.

This was bad advice. Damages that are collected on account of physical injuries may be excluded from income, but economic damages are fully taxable. There was no evidence that the settlement was related to anything but Adrienne's economic harm. In addition, the IRS included the amount paid to her attorneys in Adrienne's taxable income, which dramatically boosted the taxes owed and the penalties. In the Tax Court she argued that such costs are deductible in connection with a claim for unlawful discrimination. Arguably, her case fits this description. Because the IRS failed to address this argument, the Tax Court ruled that it had waived the point, and ordered the deficiency recalculated.



There's a time
for dancing,
and a time for
planning.

A trust-based wealth management plan is one of the most important gifts you can give your family—when you put our trust professionals on your team.



TRUST AND INVESTMENT SERVICES

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Important information:

Trust assets are: (1) not bank deposits or obligations; (2) not guaranteed by any bank; (3) not insured or guaranteed by the FDIC, the Federal Reserve Board or any other government agency, and (4) may lose value.