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BANKING & FINANCIAL ADVICE

Navigating Tax Changes

Estate exemption will be going back to previous levels.

September 11, 2024 | Clifford S. Gelber



As we approach the end of the year, it is important to understand the significance of estate planning, especially considering the upcoming tax changes scheduled for 2025. Estate planning is a crucial aspect of financial management that involves preparing for the distribution of assets in the event of death or incapacitation. With tax laws constantly evolving, staying informed and adapting your estate planning strategies are essential for preserving and transferring wealth to future generations.

The Tax Cuts and Jobs Act of 2017 brought significant changes to the federal estate tax laws, doubling the estate tax exemption to \$11.18 million per individual in 2018. This exemption is adjusted annually for inflation (the 2024 exemption is \$13.61 million), presenting a significant opportunity for high-net-worth individuals to transfer assets without incurring estate taxes. However, these changes are temporary and set to expire at the end of 2025, reverting the exemption back to pre-2018 levels, which were significantly lower.

As we approach 2025, individuals and families with substantial assets must proactively review their estate plans and consider the potential impact of the scheduled tax changes. Here are some key strategies to navigate the 2025 tax changes and optimize your estate planning:

- 1. Review and Update Your Estate Plan:** Take this opportunity to review your existing estate plan and ensure it aligns with your current financial situation and goals. Consider consulting with your CPA, an estate planning attorney or financial advisor to make any necessary updates or adjustments.
- 2. Utilize Gifting Strategies:** With the current high estate tax exemption, gifting assets during your lifetime can effectively reduce the size of your taxable estate. Leveraging annual gift tax exclusions and lifetime gift tax exemptions can help transfer wealth tax-efficiently to your heirs.

3. **Consider Trusts:** Trusts can be powerful tools for estate planning, controlling asset distribution, and potentially reducing estate taxes. Explore options such as revocable trusts, irrevocable trusts, and charitable trusts to achieve your estate planning objectives.

4. **Evaluate Life Insurance:** Life insurance can be critical in estate planning, providing liquidity to cover estate taxes and other expenses. Review your life insurance policies to ensure they align with your estate planning goals and consider leveraging life insurance trusts for added benefits.

5. **Stay Informed:** Stay abreast of legislative developments and tax law changes that may impact your estate planning strategies. Working with knowledgeable professionals can help you navigate complex tax laws and make informed decisions.

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