

Top Issues in 2021: Wealth Planning

GIFT, ESTATE, AND GENERATION-SKIPPING TRANSFER TAX BASIC EXCLUSION AMOUNT

The estate and gift tax exemption amount increased from \$11.58 Million per person in 2020 to \$11.7 Million per person in 2021. The 2021 generation-skipping transfer tax (GST tax) exemption amount also increased to \$11.7 Million per person. However, even if no action is taken by the Biden Administration and Democrat-controlled Congress, current law provides that these heightened exemption amounts will revert to \$5 Million per person (as upwardly adjusted for inflation) on January 1, 2026. Projections show that the exemption would be approximately \$6.5 Million per person at that time.

Every year, each person is allowed to make a gift to another person up to a certain amount without incurring any gift tax liability – this is known as the “annual exclusion.” The annual exclusion is a powerful tax-saving tool because the person making the gift can transfer wealth without using any of his or her estate and gift exemption amount. The annual exclusion for 2021 will remain at \$15,000 per donor, and this amount is per donee (so, for instance, a child can receive \$15,000 from each parent without incurring any gift tax liability). Married couples can gift up to \$30,000 to each donee in 2021 without utilizing their estate or gift tax exemptions.

LOW INTEREST RATE ENVIRONMENT

Many estate planning techniques work best when interest rates are low, particularly gifts to grantor retained annuity trusts (GRATs), sales of assets using promissory notes, including sales to family members either directly or to an intentionally defective grantor trusts, and gifts to charitable lead trusts (CLTs). The applicable federal rates for March 2021 are:

Short-term:	0.11% (term of note less than 3 years)
Mid-term:	0.62% (term of note at least 3 years but less than 9 years)
Long-term:	1.62% (term of note 9 years or more)
7520 rate:	0.80% (used with GRATs and CLTs)

Current factors, like depreciated asset values as a result of the COVID-19 pandemic, record-low interest rates, and historically high estate and gift exemption amounts, provide unique opportunities to minimize your tax exposure. In a recent Client Alert, which can be found here ([Planning with Low Interest Rates and Temporarily Reduced Asset Values](#)) we discussed several tax-efficient strategies to consider, including: intra-family loans; Grantor Retained Annuity Trusts; sales to Intentionally Defective Grantor Trusts; and Charitable Lead Annuity Trusts. With potential decreases in the estate and gift tax exemption amounts under the Biden administration, single individuals with an anticipated gross estate in excess of \$3.5 Million and married couples with a combined anticipated gross estate in excess of \$7 Million might consider taking advantage of planning with the current higher exemption amounts.

HOW WE CAN HELP

Our lawyers act as both legal advisors and trusted counselors, helping clients leverage financial and legal tools to achieve their personal, family, business, and charitable goals. Please reach out to Sarah Ehrhardt, Brad Kalscheur, Amy Kiiskila, Phil Maples, Kate Reynolds, Sheila Stevens, Julie Gorens-Winston, Joe Bukowski or other members of our Wealth Planning team, for additional information regarding the topics referenced above or for any questions related to our wealth and estate planning services.

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