



ADVISOR CENTRIC TRUSTS

PROPOSED TAX CHANGES



Like him or not, if President Biden gets the changes to taxes he is proposing, financial advisors and professionals should benefit greatly with an avalanche of new business opportunities. Then again, if advisors do a poor job in structuring their clients accounts and policies, they may find themselves in some hot water.

On the upside, increasing taxes including the capital gains tax, eliminating “step up value,” lowering the exemption credit and separating out gifts with a lifetime maximum, are considerations that will require “wealthy” clients to review their investments and estates most likely make changes to how they own things.

For example, if the exemption equivalent of \$11.7 million is lowered to the considered \$3.5million, many people may be looking to purchase additional life insurance to pay the 40% *or greater* tax that will now be due on amounts above \$3.5million that were previously not a concern. ($\$11,700,000 - \$3,500,000 = \$8.2 \text{ million} @ 40\% = \$3++ \text{ million additional tax}$). A \$3million life insurance policy would be a good business sale.

On the downside, using the same example, if the \$3,000,000 life insurance policy is structured to be owned by the client, then the death benefit, although paid income tax free to the beneficiaries, is added to the client’s gross estate. This would cause the estate to pay additional tax. ($\$3,000,000 @ 40\% = \text{another } \$1.2 \text{ million in tax.}$) The beneficiaries may find that they will have to sell property or use their insurance proceeds to pay the tax to save ownership of property. The downside for the advisor may be an E&O demand for the additional tax that could have been avoided with proper recommendation and planning.

Advisor Centric Trusts provides financial advisors the means to helping their clients develop peace of mind in the estate planning process, while keeping central to their client relationship.

Advisor Centric Trusts works exclusively with the Oak Crest Law Group. With offices in California, the attorneys with Oak Crest Law Group are available to help you with estate planning issues. Contact us at info@advisorcentrictrusts.com or [click here](#).

To learn more about proposed tax changes click on link:

<https://www.forbes.com/sites/nextavenue/2021/04/09/how-estate-tax-changes-could-affect-you-and-your-family/?sh=4e97fbe05bf8>