



PROSPERA PERSPECTIVES

The Estate Tax Exemption Just Changed Forever — Here's What It Means for Your Family

How the One Big Beautiful Bill Act permanently reshaped wealth transfer — and the strategies you need to know now.

\$15M

PER INDIVIDUAL (2026)

\$30M

MARRIED COUPLES

40%

TAX RATE ABOVE
EXEMPTION

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For years, one of the biggest question marks in financial planning was whether the doubled estate tax exemption would survive past 2025. That question has now been answered — permanently.

A Permanent Shift in Estate Planning

The One Big Beautiful Bill Act (OBBBA), signed into law earlier this year, did something that surprised many in the planning world: it made the elevated federal estate and gift tax exemption permanent and indexed it to inflation going forward.

In practical terms, the exemption for 2026 stands at \$15 million per individual — up from \$13.99 million in 2025. For married couples using portability, that's a combined \$30 million that can pass to heirs free of the 40% federal estate tax.

Before this legislation, the estate tax exemption was scheduled to sunset in 2026, reverting to roughly \$7 million per person. That sunset created urgency. Families scrambled to make large gifts, fund irrevocable trusts, and lock in the higher exemption before it disappeared. Now that the exemption is permanent, the planning conversation has shifted — but it hasn't become less important.

Why This Still Matters — Even If You're Under \$15 Million

It's tempting to look at a \$15 million exemption and think, "This doesn't apply to me." But estate planning isn't just about tax thresholds. It's about control, protection, and the efficiency of wealth transfer across generations.

- ▶ **State estate taxes still apply.** Many states impose their own estate or inheritance taxes at much lower thresholds — sometimes as low as \$1 million. Federal changes don't change what your state collects.
- ▶ **Business owners often underestimate estate value.** If you own a business, your estate isn't just your savings account. It includes the appraised value of your company, your real estate, your life insurance death benefit, and everything else you've built.
- ▶ **Inflation indexing means opportunity.** Because the exemption now rises with inflation, families can plan with certainty — building multi-year strategies that weren't possible when a sunset loomed.

The planning insight: A permanent exemption doesn't mean you can afford to wait. It means you have a reliable foundation to build a strategy that works across decades — not just until the next legislative session.

Strategies That Work in the New Landscape

With the estate tax exemption settled, the focus now turns to how you position your wealth — not whether you can. Here are three strategies that are more relevant than ever.

1. Life Insurance as a Wealth Transfer Multiplier

Life insurance remains one of the most powerful tools in estate planning, regardless of exemption levels. A properly structured policy delivers a tax-free death benefit to your beneficiaries, creates immediate liquidity to cover estate settlement costs, and can replace the wealth used in lifetime gifts.

For business owners, this is especially critical. If your business represents a significant portion of your estate, your heirs may face a liquidity crisis — they inherit the company but need cash to cover taxes, debts, or a buyout. Life insurance solves this without forcing a fire sale.



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2. Irrevocable Life Insurance Trusts (ILITs)

Even with a \$15 million exemption, families above the threshold — or who expect to grow past it — should consider an ILIT. When life insurance is owned by an irrevocable trust, the death benefit is excluded from your taxable estate entirely.

Combined with the permanent exemption, this creates a two-layer shield: the first \$15 million transfers tax-free via the exemption, and the life insurance proceeds held in the ILIT pass outside the estate altogether.

Key distinction: Life insurance you personally own is included in your taxable estate. Life insurance owned by an ILIT is not. The structure of ownership makes all the difference.

3. Cash Value Strategies for Lifetime Flexibility

Permanent life insurance — particularly whole life policies designed for cash value accumulation — offers benefits that go beyond the death benefit. The cash value grows tax-deferred, can be accessed via policy loans without triggering a taxable event, and continues compounding even while you borrow against it.

This is the foundation of what we call the **Personal Bank Strategy** at Prospera — the ability to build a financial reservoir that serves you during your lifetime while also anchoring your legacy plan. In an era where the estate tax exemption is settled, the focus naturally shifts to making your wealth work harder while you're still here.

What This Means for Your Family

The permanence of the \$15 million exemption is good news, but it doesn't change the fundamental truth of estate planning: the best time to plan is before you need to.

What it does change is the way comprehensive planning should look. Entrepreneurs and business owners don't just need a will and a beneficiary designation — they need a coordinated strategy that connects estate planning, tax efficiency, risk management, and business succession into a single framework. That's the kind of work that used to be reserved for institutional family offices. At Prospera, we call it **the entrepreneur's family office** — the same caliber of planning, built for the people actually building things.

Here's where to start:

- ▶ **Review your current estate plan.** If your plan was built around the sunset — or hasn't been updated since before the OBBBA — it's time for a fresh look.
- ▶ **Assess your total estate value honestly.** Include business interests, real estate, retirement accounts, and existing life insurance policies. Many families are closer to the threshold than they realize.
- ▶ **Consider cash value life insurance** as both a lifetime planning tool and a legacy asset. The dual-purpose nature of these strategies makes them uniquely valuable in the current environment.
- ▶ **Coordinate with your advisory team.** Estate planning sits at the intersection of tax law, insurance, and strategy. The most effective plans are built collaboratively — your financial professional, attorney, and CPA working together.

Ready to Review Your Strategy?

At Prospera, we help families and business owners build wealth strategies that protect what matters most
— today and for generations to come.

Schedule a complimentary consultation.

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The Entrepreneur's Family Office

ABOUT THIS POST

Meta Description: The estate tax exemption just became permanent at \$15 million per individual. Learn what the One Big Beautiful Bill Act means for your family's wealth strategy and the insurance-based tools that matter most in 2026.

Content Pillars:

Legacy Protection

Tax-Free Strategies

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