THE ESTATE PLANNER

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NO WORRIES
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How a family office can help transfer generational wealth

Estate Planning Red Flag
Contingent beneficiaries haven't been named in an estate plan

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No worries

Put your estate plan under a stress test to detect abnormalities

A well-designed estate plan helps cement your legacy, but that doesn't mean it's set in stone. Changing family circumstances, fluctuating financial markets, health issues and other factors can impact the effectiveness of your plan over time. Evolving tax laws can also greatly affect your estate plan. (See "The One, Big, Beautiful Bill Act boosts exemption amount" on page 3.)

One strategy that can help identify potential weaknesses or vulnerabilities in your plan is to conduct periodic stress tests.

Stress test defined

A stress test is an assessment tool used to evaluate the performance of a system, plan, process or person under extreme, challenging or changing conditions. These conditions may be real or simulated. For example, a doctor may order a stress test to evaluate a patient's heart function during exercise. Or a bank may run simulations to see how adverse events or changes in interest rates or other market conditions would impact its financial performance. In either case, stress testing can reveal potential risks or dangerous situations that need to be addressed.

In estate planning, stress testing involves examining your plan and asking a series of "what if" questions to evaluate how your plan would perform in various scenarios. If the results don't align with your estate planning goals, it may be necessary to modify your plan.

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Potential findings

To stress test your estate plan, your estate planning advisor poses a variety of scenarios and constructs models to show how your plan would perform under those circumstances. Every plan is different, so the results of stress testing depend on your particular circumstances. Examples of potential findings include:

Unplanned results. Stress testing may reveal that, if you were to die tomorrow, the operation of your estate plan may result in unexpected and undesirable consequences. Perhaps significant assets would

be distributed outright to your children, even though they're not yet prepared to manage the funds on their own. A solution may be to set aside those assets in trust for your kids' benefit.

What happens if you get a divorce? Does your ex-spouse still stand to receive a significant inheritance from your estate? Some estate plans automatically disinherit a spouse in the event of divorce, but if yours doesn't, an amendment may be needed.

Unexpected taxes. If the value of your estate exceeds federal or state exemption amounts, or if it will exceed those amounts if they're reduced in the future, a sizable chunk of your wealth may be lost to estate tax.

If estate tax is a concern, consider implementing tax-efficient strategies for removing assets from your taxable estate. Or set up an irrevocable life insurance trust (ILIT) to fund potential tax liabilities.

Insufficient liquidity. Stress testing may reveal that a significant portion of your wealth is tied up in illiquid assets, such as closely held businesses or real estate. This may make it difficult to distribute these assets fairly among your heirs and to cover taxes and expenses. Planning may be needed to create liquidity through life insurance or other strategies.

Improperly titled assets. Many estate plans employ revocable, or "living," trusts to avoid probate and provide for the management of one's assets in the event of incapacity. But these trusts are effective only to the extent that you fully "fund" them — that is, transfer title to assets to the trust. A stress test may identify assets that aren't properly titled in the trust and, therefore, will be subject to probate and beyond the trust's control in the event you're incapacitated.

Missing beneficiaries or fiduciaries. This can happen, for example, if a beneficiary, executor, trustee or agent predeceases you and you haven't named a backup. Failure to name contingent beneficiaries or fiduciaries can disrupt the operation of your estate plan or, worse, cause assets to be distributed to unintended recipients.

The One, Big, Beautiful Bill Act boosts exemption amount

The Tax Cuts and Jobs Act (TCJA) effectively doubled the unified federal gift and estate tax exemption to $10 million (adjusted annually for inflation). It also required the amount to revert to its pre-TCJA level after 2025, unless Congress extended it. This caused uncertainty for wealthy individuals whose estates would be exposed to gift and estate taxes if the higher exemption amount were to expire. The One, Big, Beautiful Bill Act (OBBBA) restores certainty for affluent families.

Beginning in 2026, the OBBBA permanently increases the federal gift and estate tax exemption amount to $15 million ($30 million for married couples). The amount will continue to be adjusted annually for inflation. The estate tax rate remains at 40%. Additionally, the generation-skipping transfer (GST) tax exemption will be adjusted to match the increased estate and gift tax exemption.

If your estate exceeds, or is expected to exceed, the exemption amount, consider implementing planning techniques today that can help you reduce or avoid gift and estate taxes in the future.

Inflexible trust language. If you were to die tomorrow, would your trust achieve your goals? For example, a "maintenance" standard would restrict distributions to your beneficiaries' most basic living expenses. If you wish to provide more for them, consider establishing a higher standard or even giving the trustee complete discretion to make distributions in accordance with your wishes.

Stress-free estate planning

To reduce the stress associated with estate planning, consider a stress test. By modeling how your plan would perform under various scenarios, stress testing allows you to make adjustments to ensure that it meets your goals. Contact your estate planning advisor for additional details. ▮

Spousal inheritance rights can impact your estate plan

A second marriage can significantly impact estate planning, introducing new complexities that require careful consideration. Without thoughtful planning, default inheritance laws may fail to provide adequately for your new spouse.

In nearly every state, a person's spouse has certain property rights that apply regardless of the terms of his or her estate plan. And these rights are the same, whether it's your first marriage or your second or third. Here's an introduction to spousal rights and some strategies you may be able to use to limit them.

Understanding an "elective share"

Spousal property rights are creatures of state law, so it's critical to familiarize yourself with the laws in your state to achieve your planning objectives. Most states provide a surviving spouse with an "elective share" of the deceased spouse's estate, regardless of the terms of his or her will or certain other documents. The remaining states (except Georgia) are community property states. This article focuses on elective share states; however, similar planning strategies may also be available in community property states.

Generally, a surviving spouse's elective share ranges from 30% to 50%, though some states start lower and provide for progressively larger shares as the duration of the marriage increases. Perhaps the most significant variable, with respect to planning, is the definition of assets subject to the surviving spouse's elective share rights.

In some states, the elective share applies only to the "probate estate" — generally, assets held in the deceased spouse's name alone that don't have a beneficiary designation. In other states, it applies

to the "augmented estate," which is the probate estate plus certain nonprobate assets, such as:

- Life insurance policies,
- Revocable trusts,
- Jointly owned assets that pass automatically to a joint owner,
- Retirement or financial accounts that pass according to a beneficiary designation or transfer-on-death designation, and
- Lifetime gifts made during a specified "lookback" period (for example, one year) before death.

By developing an understanding of how elective share laws apply in your state, you can identify potential strategies for bypassing them.

Minimizing the effects on estate planning

Elective shares are designed to protect surviving spouses from being disinherited. But there may be good reasons for limiting the amount of property that goes to your spouse after your death.

For one thing, your spouse may possess substantial wealth in his or her name. And you may want most of your estate to go to your children from a previous marriage. Or perhaps the bulk of your wealth is tied up in a family business that you want to keep in the family.

Strategies for minimizing the impact of your spouse's elective share on your estate plan include:

Transferring assets to a revocable trust. In most (but not all) probate-only states, transferring assets to a revocable trust is sufficient to shield them from your spouse's elective share. In augmented estate jurisdictions, the elective share generally applies to revocable trusts. However, the laws of some states provide that the augmented estate only includes assets transferred to a revocable trust *during marriage*. In that case, it may be possible to protect assets from the elective share by transferring them to a revocable trust *before* remarrying.

Purchasing life insurance. Life insurance can be a great way to create wealth and liquidity for your children or other family members, and in probate-only states, it's generally shielded from your spouse's elective share. Augmented estates usually include life insurance, but in some states, it may be possible to exclude it by holding the policy in an irrevocable life insurance trust.

Making lifetime gifts. By transferring property to your children or other loved ones during life (either outright or through an irrevocable trust), you remove those assets from your probate estate and place them beyond the reach of your surviving spouse's elective share. Suppose your state uses an augmented estate to determine a spouse's elective share. In that case, lifetime gifts will be protected so long as they're made before the lookback period or, if permitted, your spouse waives the lookback period.

Retitling assets. In probate-only states, you may be able to protect assets by holding them jointly with a child or other family member with the right of survivorship.

One thing most elective share states agree on is that your spouse can waive his or her elective share in writing, either through a standalone waiver or as part of a broader prenuptial or postnuptial agreement.

State elective share laws are complex

If you're remarrying, consult your estate planning advisor to evaluate the impact of your state's elective share laws on your estate plan. Depending on state law, there may be strategies available to protect your assets. ▮

Preserving wealth, empowering legacy

How a family office can help transfer generational wealth

For high-net-worth individuals and families, passing down wealth is more than a financial goal — it's a legacy. But with that legacy comes complexity. Estate tax implications, asset management, philanthropic goals and family dynamics all require careful orchestration.

That's where a family office comes in. It's not just for billionaires; it's an increasingly popular structure for affluent families looking to protect and grow their wealth across generations. Let's take a closer look at how a family office operates and how it can support your estate planning goals.

What is a family office?

A family office is a private advisory firm that serves one (single-family office) or a few (multi-family office) ultra-high-net-worth families. It offers a centralized way to manage all aspects of a family's financial and personal affairs, including investment and estate tax planning, estate administration, philanthropy, and even day-to-day tasks such as travel arrangements.

The goal is to align financial strategy with family values, ensuring a smooth transfer of wealth while minimizing conflict and financial erosion.

How can a family office benefit estate planning?

One of the most powerful benefits of forming a family office is its ability to streamline estate planning. Families with significant assets often deal with multiple advisors — CPAs, estate tax attorneys and wealth managers — all operating in silos. This fragmentation can lead to inefficiencies, missed opportunities and increased costs.

A family office breaks down these silos. By coordinating across all professionals, the family office can build and maintain estate planning goals that evolve with your family and the law.

Here's how:

Continuity and communication. Family offices foster continuity by establishing a centralized strategy. This is especially critical when multiple generations are involved. Instead of relying on a patchwork of outside experts, the family office team works together under one roof (or closely partnered structure), helping to ensure that everyone is aligned on long-term goals.

Advanced tax strategies. Wealth transfer is often complicated by gift and estate taxes. A family office can work closely with your CPA to employ sophisticated strategies such as grantor-retained annuity trusts (GRATs) and charitable remainder trusts (CRTs) to reduce tax exposure while honoring your intent.

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Trust administration. Many estate plans rely on the strategic use of trusts. A family office can handle the administration and coordination of multiple trusts, ensuring they remain compliant and effective. This is particularly valuable when trusts are complex, span multiple jurisdictions, or require coordination with beneficiaries and trustees.

Education and governance. Successfully transferring wealth takes more than legal documents — it requires educating the next generation. Family offices often provide educational programs to help younger family members understand financial stewardship, tax basics and the responsibilities of managing inherited wealth.

Some family offices also assist in creating family charters or governance structures, which articulate the family's values and decision-making framework. These tools can help reduce future disputes and foster family unity.

Is a family office right for you?

While a traditional family office is often most cost-effective for families with $100 million or more in assets, many modern solutions — such as multi-family offices or virtual family offices — offer similar services at a lower income threshold (often starting around $20 million in net worth).

Even if you're not ready to build a full family office, you can benefit from adopting the principles behind one: coordinated advice, long-term planning and values-based wealth management. Contact your estate planning advisor for more information on a family office.

ESTATE PLANNING RED FLAG

Contingent beneficiaries haven't been named in an estate plan

Naming contingent beneficiaries in your estate plan can help ensure that your assets are distributed according to your wishes, even if your primary beneficiaries are unable or unwilling to accept their inheritances. Contingent beneficiaries serve as a backup plan. They're the individuals or entities who will receive the designated assets if the primary beneficiary passes away before you do, or if that primary beneficiary can't be located or identified.

A key benefit of naming contingent beneficiaries is the increased control it gives you over your estate. Without an appointed backup, if your primary beneficiary can't inherit, the assets could end up in your residuary estate and be distributed according to your will's default clauses. This can result in assets going to unintended recipients. Identifying contingent beneficiaries helps to ensure that your estate plan is executed smoothly and in alignment with your intentions.

For retirement plans, the plan document might call for the funds to go to your spouse or, if you're not married, to your estate. Leaving retirement plan assets to your estate can have undesirable consequences. Plus, they'll have to be distributed and taxed under a five-year rule, depriving your beneficiaries of opportunities to defer those taxes for 10 years or more.

For other types of assets, the funds will likely be included in your estate, which can lead to undesirable outcomes. Suppose, for example, that your will leaves your entire estate, valued at $1 million, to your son. You also have a $1 million life insurance policy naming your daughter as beneficiary. Suppose your daughter predeceases you and you haven't updated the beneficiary designation or named a contingent beneficiary (your grandchild, for example). In that case, your son will receive everything, effectively dis-inheriting your daughter's family.

Change of Plans? Give Us a Call

The adage "the more things change the more they stay the same" does not apply to estate planning. When your life plans change your estate plan probably should, too.

Estate planning helps people prepare for planned—and unplanned—life events. But, even the best estate plans can't help you if you don't keep them up to date.

We recommend reviewing estate plans at least every two years and more often when your life plans change. Here are some common—and sometimes overlooked—reasons to change your estate plan.

1. Beneficiaries change or require confirmation. Clients sometimes forget individuals who no longer occupy an important place in their lives but who are designated to receive bequests. Or they might think that designating a beneficiary in a will applies to other investments, such as IRAs. Consider charities you've added or no longer support.

2. Marital status. Ensure that your estate plan has been updated to reflect a change. Adopted children or a newly blended family might need to be considered. Naming individuals specifically could avoid conflicts, even lawsuits.

3. Birth of a child. Of course you'll update your estate plan to include newly born children, but reviewing guardians for minor children is also important. And the same goes for trustees named to manage a child's inheritance. Perhaps plan for specifics, such as education or special needs.

4. Change of assets or liabilities. Have you acquired new property or made new investments? A significant change in the value of your estate since the plan was drafted should cause a review.

5. Changes in your estate's composition. Buying or selling a business or real estate, launching a new business or changing a succession plan—each of these should trigger a review.

6. Executors or trustees status. Has anyone aged, moved away, passed away or no longer the "right" fit? Are they still willing and able to execute their responsibilities under new circumstances?

7. Health or other proxies. Who will make medical decisions for you and enforce your wishes regarding life support should you be incapacitated?

8. Moving to a new state. Different states have different laws. It's critical that you establish proof that you did in fact change your residency. Otherwise, your estate may be fully taxable in your former state. New powers of attorney and advance medical directives might be necessary.

9. A second residence out-of-state. Work with your attorney to determine which state should be your principal residence for tax purposes and what other obligations you might incur.

10. A change in tax laws. Discuss the effect of any new tax laws on your estate plan. Again, we recommend that clients review their estate planning documents every two years to ensure that they are current.

When it comes to estate planning, the adage "change with the times" is one that *does* apply. If you or someone you know is concerned about estate planning, please get in touch.

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