SOL CONSULTING

TRUST STRUCTURES &

TAX STRATEGIES

FOR GENERATIONAL WEALTH

A Comprehensive Guide to Building, Protecting, and Passing Your Sovereign Financial Legacy Across Generations

2025 – 2026 Edition | Current Tax Figures & Strategies

Important Notice: *This guide is for educational purposes only and does not constitute legal, tax, or financial advice. Trust laws vary by state. Always work with a licensed estate planning attorney, CPA, or financial advisor before implementing any strategy discussed herein. Tax figures reflect 2025–2026 law including the One Big Beautiful Bill Act (OBBBA).*

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PART ONE

TRUST STRATEGIES

The Foundation of Generational Wealth Protection

1. What Is a Trust and Why It Matters for Generational Wealth

A trust is a legal arrangement in which one party — the **grantor** (also called the settlor or trustor) — transfers ownership of assets to a second party — the **trustee** — to hold and manage those assets for the benefit of a third party — the **beneficiary**. In many cases, especially with revocable living trusts, you can serve as all three parties simultaneously during your lifetime.

For anyone serious about building generational wealth and achieving financial sovereignty, a trust is not a luxury reserved for the ultra-wealthy. It is one of the most powerful tools available for:

- **Avoiding probate:** Assets held in a properly funded trust pass directly to beneficiaries without court intervention — saving months or years of delays and thousands in legal fees.
- **Protecting privacy:** Unlike a will, which becomes public record at probate, a trust remains private.
- **Minimizing estate taxes:** Strategic trust structures can dramatically reduce — or virtually eliminate — estate and gift taxes.
- **Shielding assets from creditors:** Certain irrevocable trusts place assets beyond the reach of your creditors and your beneficiaries' creditors.
- **Controlling distribution:** You can specify exactly when, how, and under what conditions beneficiaries receive assets — instilling values, not just wealth.
- **Spanning generations:** Dynasty trusts can hold assets for 100+ years, compounding wealth across multiple generations free of estate taxes at each death.

Why Trusts Are the Cornerstone of Sovereign Wealth

The wealthiest families in America — the Rockefellers, the Waltons, the Kennedys — have used trust structures for generations. These are not secrets. They are legal frameworks that have always been available to anyone willing to learn and act. Your generational legacy starts with understanding and using these tools.

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2. Types of Trusts: A Complete Overview

Not all trusts are created equal. Each type serves a specific purpose. Understanding the landscape is essential before choosing the structure that fits your situation.

Revocable Living Trust

The most common starting point. You retain full control during your lifetime — you can modify, amend, or revoke it entirely. It holds your assets, avoids probate at death, and allows seamless management if you become incapacitated. **Tax note:** Assets in a revocable trust are still part of your taxable estate; this trust does NOT reduce estate taxes.

Irrevocable Trust

Once funded, you generally cannot take assets back. In exchange for surrendering control, you gain powerful benefits: assets are removed from your taxable estate and protected from creditors. Most advanced estate planning strategies use irrevocable trusts.

Testamentary Trust

Created through your will and comes into existence only at your death. It does NOT avoid probate (since it is created by the will, which must be probated), but it controls how assets are managed after death — particularly useful for minor children or beneficiaries who need structured distributions.

Spendthrift Trust

Designed to protect beneficiaries who may be irresponsible with money, struggle with addiction, or face creditor problems. The trustee controls distributions, and beneficiaries cannot pledge their interest as collateral or have it seized by creditors before distribution.

Charitable Remainder Trust (CRT)

An irrevocable trust that provides income to you (or other beneficiaries) for a term of years or lifetime, with the remainder passing to charity. You receive a partial charitable deduction upfront, avoid immediate capital gains on contributed appreciated assets, and receive an income stream.

Charitable Lead Trust (CLT)

The mirror image of a CRT. Charity receives income first for a set period, then assets pass to heirs. Used to reduce gift/estate taxes on wealth transfer to the next generation.

Land Trust

Holds real property with a trustee holding legal title while the beneficial owner retains all economic rights. Common in Illinois, Florida, and other states. Provides privacy (your name is not on public records) and simplifies transfer of real estate.

Business Trust (Massachusetts Business Trust)

A trust organized to conduct business. Historically used as a corporate alternative. Less common today but still used in certain jurisdictions for operating businesses, offering liability protection and flexible governance.

Dynasty Trust

An irrevocable trust designed to hold assets for multiple generations — in some states, indefinitely. By allocating your Generation-Skipping Transfer (GST) tax exemption to the trust, assets can pass from generation to generation without triggering estate tax at each death. States like South Dakota, Nevada, and Delaware have favorable perpetuities laws. **This is the ultimate generational wealth vehicle.**

Grantor Retained Annuity Trust (GRAT)

You transfer appreciating assets to an irrevocable trust and receive back annuity payments for a set term. If assets grow faster than the IRS hurdle rate (Section 7520 rate), the excess passes to heirs gift-tax free.

Irrevocable Life Insurance Trust (ILIT)

Holds a life insurance policy outside your taxable estate. The death benefit passes income-tax free AND estate-tax free to beneficiaries — a powerful tool for providing liquidity to pay estate taxes or fund ongoing trust distributions.

Special Needs Trust

Holds assets for a beneficiary with disabilities without disqualifying them from government benefits like Medicaid or SSI. Critical for families with disabled children or dependents.

Qualified Personal Residence Trust (QPRT)

You transfer your home to an irrevocable trust while retaining the right to live there for a set term. The gift value is discounted, reducing the taxable gift used to transfer the home to heirs.

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3. How to Set Up a Trust — Step by Step

Setting up a trust properly is straightforward when you follow the right sequence. Cutting corners — especially on funding — is the most common and costly mistake.

1. Define Your Goals

Before drafting a single document, get clear on what you want the trust to accomplish. Are you avoiding probate? Protecting assets from creditors? Minimizing estate taxes? Providing for minor children? Controlling distributions over time? Your goal determines which trust type to use.

2. Choose Your Trust Type

Based on Step 1, select the appropriate vehicle. Most people start with a Revocable Living Trust as a foundational layer, then add irrevocable structures for tax and asset protection goals.

3. Select Your Trustee and Successor Trustee

Determine who will manage the trust during your lifetime (if you don't serve as your own trustee), and who takes over when you cannot or do not. See Section 4 for detailed guidance.

4. Draft the Trust Document

Work with a qualified estate planning attorney to draft the trust agreement. The document specifies: the trust's name and purpose, trustee powers and limitations, distribution standards and triggers, beneficiary designations, and successor trustee succession.

5. Execute the Trust Document

Sign the trust in front of a notary. Some states also require witnesses. This step creates the legal entity — but the trust is empty until funded.

6. Obtain a Tax ID Number (EIN) if Needed

A revocable living trust that uses your Social Security Number while you're alive typically does not need a separate EIN. An irrevocable trust generally requires its own EIN from the IRS, obtainable at IRS.gov in minutes.

7. Fund the Trust

Transfer assets into the trust's name. This is the most critical step and the most commonly neglected. See Section 5 for full details.

8. Update Beneficiary Designations

Review retirement accounts, life insurance, and annuities. These assets pass by beneficiary designation — not through the trust directly — unless you name the trust as beneficiary (which requires careful tax planning).

9. Review and Update Regularly

Your trust should be reviewed every 3–5 years or after major life events: marriage, divorce, birth of a child, significant change in assets, or change in state of residence.

Cost Reality Check
Attorney fees for a basic revocable living trust package typically run $1,500–$3,500. This is one of the best investments you will ever make — probate alone can cost 3–8% of your estate value, plus years of court delays. A trust pays for itself many times over.

4. Choosing Your Trustee and Successor Trustee

The trustee is the backbone of your trust. A poor choice can unravel everything you've built. This decision deserves serious thought.

Types of Trustees

Individual Trustee (You): For a revocable living trust, you typically serve as your own trustee, retaining full control. This is the norm for basic estate planning trusts.

Individual Trustee (Family Member or Friend): Cost-effective but risky. The person must be trustworthy, financially savvy, emotionally neutral, and willing to serve for potentially decades. Family dynamics can complicate administration.

Corporate/Professional Trustee: Banks, trust companies, and licensed fiduciaries serve as professional trustees. They bring expertise, impartiality, and institutional continuity. Fees typically run 0.5–1.5% of assets annually. Best for large trusts, long-term dynasty trusts, or when family conflicts are a concern.

Co-Trustees: Combining an individual (for family knowledge and personal connection) with a corporate trustee (for expertise and neutrality) can provide the best of both worlds.

What a Trustee Must Do

- Act in the sole best interest of beneficiaries (fiduciary duty)
- Invest assets prudently following the Uniform Prudent Investor Act
- Keep accurate and separate trust accounts and records
- File trust tax returns (Form 1041) if the trust earns taxable income

- Make required distributions according to trust terms
- Communicate with beneficiaries as required
- Avoid self-dealing and conflicts of interest
- Keep trust assets separate from personal assets

Successor Trustee Selection

Name at least two successor trustees in sequence. Your successor takes over when you die, resign, or become incapacitated. Consider: Are they willing? Are they organized and detail-oriented? Will they be available for years or decades? Do beneficiaries trust and respect them? For long-term or dynasty trusts, a corporate trustee as at least a backup successor is often the wisest choice.

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5. Funding the Trust: Assets, Transfers and Timing

An unfunded trust is a legal document — nothing more. It accomplishes none of your estate planning goals. Funding means retitling assets from your personal name to the trust's name: *"[Your Name], Trustee of the [Trust Name], dated [date]."*

Assets to Transfer Into Your Trust

Asset Type	How to Transfer	Notes
Real estate	Record a new deed with the county recorder	May trigger due-on-sale clauses — get lender consent for mortgage
Bank accounts	Change account title at your bank	Banks usually have their own forms; bring your trust certificate
Brokerage/investment accounts	Transfer on account with broker	Most brokerages have a standard transfer form
Business interests (LLC, partnership)	Assign membership/partnership interest to trust via assignment agreement	Check your operating agreement first
Vehicles	Update title with DMV	Many people skip this — worth doing for high-value vehicles
Intellectual property	Written assignment agreement	Include copyrights, trademarks, patents
Life insurance	Name trust as owner (irrevocable trusts — see ILIT section)	For ILITs, trust must own from inception for full estate tax exclusion
Personal property	Pour-over will + schedule of assets attached to trust	Use a general assignment for household goods
Retirement accounts (IRA, 401k)	Generally do NOT retitle into trust — name trust as beneficiary if desired	Consult tax advisor — wrong titling triggers immediate taxation

The Pour-Over Will

A pour-over will is a companion document to your living trust. Any assets you forgot to transfer — or acquired after creating the trust — 'pour over' into the trust at your death. This creates a safety net, though assets passing through the pour-over will still go through probate before joining the trust.

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6. Common Mistakes When Setting Up Trusts

✗ **Failing to fund the trust:** The #1 mistake. You draft a perfect trust but never transfer assets into it. Result: your estate goes through probate anyway.

✗ **Naming the wrong trustee:** Choosing a family member who lacks the time, skills, or emotional distance to administer a trust properly — especially with blended families or high-conflict situations.

✗ **Forgetting to update beneficiary designations:** Retirement accounts and life insurance pass by beneficiary designation regardless of your trust. Old designations (like a deceased ex-spouse) override trust instructions.

✗ **Using a DIY trust for complex situations:** Online trust templates may be valid for simple situations, but they frequently fail to address state-specific laws, blended families, special needs beneficiaries, or business interests.

✗ **Not updating the trust after life changes:** Divorce, remarriage, new children, moves to another state, or significant changes in asset value can all render trust provisions outdated or legally problematic.

✗ **Confusing revocable and irrevocable trusts:** A revocable living trust does NOT protect assets from creditors or reduce estate taxes. Many people assume it does both — it does neither.

✗ **Putting retirement accounts directly in the trust:** Retitling an IRA into a trust's name triggers an immediate taxable distribution. Instead, name the trust as beneficiary if desired, with careful planning for required minimum distributions.

✗ **No incapacity plan within the trust:** Failing to include clear provisions for trustee succession and distribution authority during incapacity — not just at death.

✗ **Over-restricting distributions:** Setting conditions so tight that beneficiaries cannot access funds for legitimate needs, creating conflict and potential legal challenges.

✗ **Ignoring state law variations:** Trust law varies by state. A trust created in California has different rules than one in Nevada or South Dakota. Moving states may require updating your trust.

7. Trusts vs. Wills: Why Trusts Win for Generational Wealth

Feature	Trust	Will
Avoids probate?	Yes — assets pass directly	No — must go through court
Privacy?	Yes — private document	No — becomes public record
Incapacity planning?	Yes — trustee takes over	No — only activates at death
Asset protection?	Yes (irrevocable trusts)	No
Estate tax planning?	Yes (with proper structure)	Limited
Generational control?	Yes — can span generations	One-generation only

Contest difficulty?	Harder to contest	Easier to challenge
Cost to administer?	Low — no court involvement	High — probate fees 3–8% of estate
Time to distribute?	Days to weeks	Months to years
Multi-state property?	Single trust covers all states	Ancillary probate required in each state

The bottom line: Everyone should have a will as a backstop. But for anyone building generational wealth, a revocable living trust — layered with irrevocable trust structures as appropriate — is the foundation of a sound estate plan.

8. Asset Protection: Shielding Wealth from Creditors and Lawsuits

One of the most powerful reasons to use irrevocable trusts is that assets properly transferred into them are generally beyond the reach of future creditors — yours and your beneficiaries'.

How Irrevocable Trusts Provide Protection

- When you transfer assets to an irrevocable trust and relinquish control, those assets are no longer legally 'yours.' Future creditors generally cannot attach them.
- The protection applies to future creditors — not fraudulent transfers to dodge existing debts (fraudulent conveyance laws apply).
- Spendthrift provisions prevent beneficiaries from voluntarily assigning their interest AND protect against creditors of the beneficiary.
- Self-settled Asset Protection Trusts (APTs) — allowed in states like Nevada, South Dakota, Delaware, and Alaska — let you be a discretionary beneficiary of your own irrevocable trust while still receiving asset protection.
- Domestic Asset Protection Trust (DAPT) states have waiting periods (typically 2–4 years) before protection kicks in against existing creditors.

Protection Through Business Entities Combined with Trusts

A common and powerful strategy: hold an LLC (or Series LLC in states that allow it) inside an irrevocable trust. The LLC provides operating liability protection; the trust provides ownership protection and estate planning benefits. This layered structure is the bedrock of sophisticated wealth protection planning.

Timing Is Everything
Protection planning works best done early — before problems arise. Courts scrutinize asset transfers made to trusts after a lawsuit is filed or a debt is incurred. The time to build your protective structure is when everything is going well.

9. Dynasty Trusts: Multi-Generational Wealth Transfer

A dynasty trust is a long-term irrevocable trust designed to hold and grow wealth across multiple generations — potentially for 100 years, 360 years, or even indefinitely, depending on state law — while avoiding estate taxes at each generational transfer.

The Generation-Skipping Transfer (GST) Tax

Normally, when assets pass from grandparent to parent to grandchild, estate tax is owed at each generational transfer. The GST tax is an additional 40% tax specifically designed to prevent skipping generations to avoid this layered taxation.

Every individual has a GST tax exemption: **$13.99 million in 2025** and **$15 million in 2026** (made permanent under the One Big Beautiful Bill Act). A married couple can shelter up to **$30 million** in 2026. Assets allocated to a dynasty trust using this exemption can grow completely free of GST tax in perpetuity.

Best States for Dynasty Trusts

State	Rule Against Perpetuities	Asset Protection	State Tax on Trust Income
South Dakota	Abolished — unlimited duration	Strong — DAPT with 2-year seasoning	None
Nevada	Abolished — unlimited duration	Strong — DAPT with 2-year seasoning	None
Delaware	360 years	Moderate — DAPT with 4-year seasoning	None if no in-state beneficiaries
Alaska	Abolished — unlimited duration	Moderate — DAPT with 4-year seasoning	None
Wyoming	Abolished — unlimited duration	Strong	None

You do not need to live in these states to benefit from their trust laws. By establishing and administering a trust in South Dakota or Nevada (using a local trust company as trustee), you can access their favorable laws regardless of where you reside.

How a Dynasty Trust Works in Practice

1. Grantor creates an irrevocable dynasty trust in a favorable state.
2. Assets are transferred to the trust — ideally using the full GST exemption ($15M per individual in 2026).
3. Trustee invests assets for growth. Trust income may be distributed to children, grandchildren, and beyond — or accumulated for further growth.
4. When the grantor dies, assets pass inside the trust — no estate tax because they were removed from the taxable estate at funding.
5. When the grantor's children die, same result — no estate tax because assets are inside the trust, not in their estate.
6. This pattern continues across generations, with the trust potentially compounding for a century or more.

The Power of Compound Growth Inside a Dynasty Trust

Example: A family funds a dynasty trust with $15 million in 2026 using the full GST exemption. Assuming 7% annual growth over 50 years, the trust grows to approximately $421 million — all of which passes to beneficiaries free of estate and GST taxes at every generational transfer. This is generational sovereignty in action.

PART TWO

TAX STRATEGIES

Every Legal Tool to Keep More of What You Earn

10. Understanding Your Tax Bracket: Marginal vs. Effective Rate

The U.S. uses a **progressive tax system**. You do not pay your top rate on ALL your income — only on the income that falls within each bracket. Understanding this distinction is foundational to all tax planning.

2025 Federal Income Tax Brackets (Single Filers)

Tax Rate	Taxable Income Range	Tax on This Bracket
10%	$0 – $11,925	Up to $1,192
12%	$11,925 – $48,475	Up to $4,386
22%	$48,475 – $103,350	Up to $12,081
24%	$103,350 – $197,300	Up to $22,560
32%	$197,300 – $250,525	Up to $17,032
35%	$250,525 – $626,350	Up to $131,448
37%	Over $626,350	37% on every dollar above

For married filing jointly in 2025, the standard deduction is **$31,500**. Single filers receive **$15,750**. These amounts reduce your taxable income before any bracket calculations.

Marginal Rate vs. Effective Rate

Marginal rate = the rate you pay on your last dollar of income (your 'tax bracket').
Effective rate = your total tax bill divided by your total income — always lower than your marginal rate.
Example: Someone with $150,000 taxable income has a 24% marginal rate but an effective rate closer to 18%. Tax planning strategies target reducing income that falls in your highest bracket.

11. Every Major Deduction Available to You

A deduction reduces your *taxable income*. A $10,000 deduction saves you $2,200 if you're in the 22% bracket — or $3,700 if you're in the 37% bracket. The higher your bracket, the more valuable each deduction becomes.

Above-the-Line Deductions (Taken Before the Standard Deduction — Everyone Can Use These)

- **Student Loan Interest:** Deduct up to $2,500 of student loan interest paid; phases out at higher incomes.
- **Self-Employed Health Insurance:** 100% of health, dental, and vision premiums for self-employed individuals and their families. No floor or ceiling. One of the most valuable self-employment deductions.
- **Self-Employment Tax Deduction:** Deduct 50% of self-employment taxes paid. This partially offsets the burden of paying both employee and employer portions of FICA.
- **SEP-IRA / Solo 401(k) Contributions:** Up to $70,000 in 2025 via SEP-IRA; up to $70,000 via Solo 401(k) — both directly reduce taxable income. See Section 14 for full details.
- **Alimony (pre-2019 divorce agreements):** Alimony paid under pre-2019 divorce agreements remains deductible for the payer.
- **Educator Expenses:** $300 deduction for K-12 teachers' out-of-pocket classroom expenses.
- **HSA Contributions:** Up to $4,300 (self) / $8,550 (family) in 2025 for Health Savings Account contributions. Triple tax advantage: deductible contributions, tax-free growth, tax-free withdrawals for medical expenses.

Itemized Deductions (Schedule A — Must Exceed Your Standard Deduction)

- **State & Local Taxes (SALT):** Deduct up to $40,000 of state income, property, and local taxes in 2025 (increased under OBBBA from the previous $10,000 cap). This is huge for high-tax states.
- **Mortgage Interest:** Interest on up to $750,000 of mortgage debt on a primary and secondary residence. Points paid at origination may also be deductible.
- **Charitable Contributions:** Cash gifts up to 60% of AGI; appreciated property up to 30% of AGI. See Section 17 for charitable trust strategies.
- **Casualty & Theft Losses:** For federally declared disaster areas; subject to a 10%-of-AGI floor after a $100 reduction.
- **Investment Interest:** Interest paid on margin loans to buy taxable investments — deductible up to net investment income.
- **Gambling Losses:** Deductible only up to gambling winnings, and only if itemizing.

Business Deductions (Schedule C / S-Corp)

- **Home Office Deduction:** Dedicated space used regularly and exclusively for business: deduct actual expenses proportional to the office's square footage (utilities, rent/mortgage interest, insurance, depreciation) OR use the simplified method at $5/sq ft, up to 300 sq ft ($1,500 max).
- **Vehicle Deduction:** Business use of a vehicle: standard mileage rate of 70 cents/mile (2025) OR actual expense method (gas, insurance, repairs, depreciation). Keep a mileage log.
- **Equipment & Technology (Section 179):** Deduct the full cost of qualifying business equipment in the year purchased, up to $1,220,000 in 2025. Computers, phones, furniture, machinery — all qualify.
- **Bonus Depreciation:** 100% first-year bonus depreciation is restored under the OBBBA for qualifying property placed in service in 2025 and beyond.

- **Business Meals:** 50% of business meals where there is a genuine business discussion. Keep records of who, what, where, and the business purpose.
- **Professional Development & Education:** Courses, books, conferences, and subscriptions that maintain or improve current business skills — fully deductible.
- **Business Insurance:** Liability insurance, errors and omissions (E&O;), professional liability — fully deductible.
- **Professional Fees:** Attorney, accountant, consultant, and coaching fees directly related to your business.
- **Marketing & Advertising:** Website costs, social media ads, content creation, business cards — all deductible.
- **Phone & Internet:** Business-percentage allocation of phone and internet expenses.
- **Depreciation (Real Estate):** Residential rental: 27.5-year depreciation schedule. Commercial: 39 years. This creates a non-cash deduction that can shelter rental income from taxes.

12. Every Major Tax Credit Available to You

Credits are more powerful than deductions. A deduction reduces your *taxable income*; a credit reduces your *actual tax bill* dollar for dollar. A $2,000 credit saves you $2,000 — regardless of your bracket.

Tax Credit	2025 Amount	Key Conditions
Child Tax Credit (CTC)	Up to $2,200 per child under 17	Phases out at $200K single / $400K MFJ
Additional Child Tax Credit (ACTC)	Up to $1,700 per child (refundable)	Need at least $2,500 earned income
Earned Income Tax Credit (EITC)	$649–$8,046 depending on income/children	Must have earned income; income limits apply
Child & Dependent Care Credit	20–35% of up to $3K (1 child) / $6K (2+)	Credit for childcare while you work
American Opportunity Credit (AOTC)	Up to $2,500 per student (first 4 years)	40% refundable; phases out at $80K–$90K single
Lifetime Learning Credit	Up to $2,000 per return	No limit on years; phases out at higher income
Energy Efficient Home Credit	30% of qualifying energy improvements, up to $3,200/yr	Windows, insulation, HVAC, solar — see Form 5695
Residential Clean Energy Credit	30% of solar, wind, geothermal system cost	No dollar cap; applies through 2032
Retirement Saver's Credit (Saver's Credit)	$200–$1,000 ($400–$2,000 MFJ)	For low-to-moderate income retirement contributions
Premium Tax Credit (ACA)	Varies based on income and plan cost	For marketplace health insurance purchasers
Adoption Tax Credit	Up to $16,810 per child in 2025	Nonrefundable; for qualifying adoption expenses
Business Credits (R&D, Work Opportunity)	Varies significantly by activity	Form 6765 (R&D); Form 5884 (WOTC)
Electric Vehicle Credit	Up to $7,500 (new EV)	Income limits; vehicle price caps apply

13. Self-Employed and Small Business Tax Strategies

If you run your own business, you have access to some of the most powerful tax reduction strategies available under U.S. law. These are not loopholes — they are the tax code working exactly as designed. Understand them and use them fully.

S-Corporation Election: The Self-Employment Tax Save

Self-employment tax (15.3% on net self-employment income up to the Social Security wage base, 2.9% above) is often the largest tax burden for sole proprietors and single-member LLC owners. An S-corporation election can dramatically reduce this burden.

- **How it works:** As an S-corp owner-employee, you pay yourself a 'reasonable salary' — SE tax applies only to the salary, not the entire profit.
- **Profit distribution:** Remaining S-corp profit flows to you as a distribution, which is NOT subject to SE tax.
- **Example:** $150,000 net profit. Sole prop: SE tax on $150K ≈ $21,200. S-corp with $80K salary: SE tax on $80K ≈ $11,300. Annual savings: ≈ $9,900.
- **When it makes sense:** Generally worthwhile when net profit exceeds $50,000–$60,000 annually. Below that, administrative costs (payroll, separate returns) may outweigh savings.
- **Setup requirements:** Elect S-corp status via IRS Form 2553. Set up payroll (even if just for yourself). File Form 1120-S annually.

Solo 401(k): Maximum Retirement Deferral for the Self-Employed

The Solo 401(k) (also called Individual 401k or One-Participant 401k) is available to self-employed individuals and business owners with no full-time employees (other than a spouse). It allows contributions in two capacities:

Contribution Type	2025 Limit	2026 Limit	Notes
Employee Deferrals	$23,500	$23,500	Pre-tax or Roth; 100% of compensation up to limit
Catch-Up (age 50–59)	$7,500 extra	$7,500 extra	Total employee: $31,000
Super Catch-Up (age 60–63)	$11,250 extra	$11,250 extra	New under SECURE 2.0; total employee: $34,750
Employer Contribution	25% of W-2 comp (S-corp) or 20% of net SE income (sole prop)	Same	Pre-tax only
Combined Limit	$70,000 total	$70,000 total	Excluding catch-up contributions

SEP-IRA: Simple and Powerful for Variable Income

The SEP-IRA (Simplified Employee Pension) allows contributions of up to **25% of compensation** (20% of net self-employment income for sole proprietors), up to a maximum of **$70,000 in 2025 and $70,000 in 2026**. It's funded entirely by the employer, requires no annual administration beyond contributions, and can be established and funded as late as the tax return deadline (including extensions). Best for: self-employed individuals with variable income who want simplicity over maximum flexibility.

Health Insurance Deduction for the Self-Employed

Self-employed individuals can deduct 100% of health, dental, and vision insurance premiums paid for themselves, their spouse, and dependents — directly above the line. This is one of the clearest advantages of self-employment. The deduction cannot exceed the net profit from the business, and you cannot take it if you were eligible for employer-sponsored coverage through a spouse's employer.

14. Retirement Accounts as Tax Shelters

Retirement accounts are the most accessible tax shelters available to ordinary Americans. Used strategically, they can defer or permanently eliminate taxes on hundreds of thousands of dollars.

Traditional IRA vs. Roth IRA: The Core Distinction

Feature	Traditional IRA	Roth IRA
Contribution limit (2026)	$7,500 (under 50) / $8,600 (50+)	$7,500 (under 50) / $8,600 (50+)
Tax treatment on contribution	Pre-tax (if deductible)	After-tax
Tax on growth	Tax-deferred	Tax-free forever
Tax on withdrawal in retirement	Ordinary income tax	None (qualified distributions)
Required Minimum Distributions	Yes — start at age 73	No (owner's lifetime)
Income limits (2025)	None for contribution; deductibility phases out	Phases out $150K–$165K (single) / $236K–$246K (MFJ)
Best strategy	Higher income now, lower income in retirement	Lower income now, higher income expected in retirement

The Backdoor Roth IRA Strategy

High earners who exceed the Roth IRA income limits can use the 'backdoor' strategy: (1) Make a non-deductible contribution to a Traditional IRA. (2) Convert the Traditional IRA to a Roth IRA shortly after. If done correctly (with no pre-existing Traditional IRA balances), little to no tax is owed on conversion. This provides access to Roth benefits regardless of income.

The Mega Backdoor Roth (Solo 401k)

With a Solo 401(k) that allows after-tax contributions and in-plan Roth conversions, you can contribute an additional $46,500 (2025) in after-tax contributions and then convert them to Roth — creating up to $70,000 of Roth contributions per year for a sole proprietor. This is one of the most powerful tax-free wealth accumulation strategies available.

Roth Accounts and Generational Transfer

Roth accounts are particularly powerful for generational wealth. Under the SECURE Act, non-spouse beneficiaries must withdraw inherited traditional IRAs within 10 years (triggering ordinary income tax). Inherited Roth IRAs still require withdrawal within 10 years — but those withdrawals are TAX FREE. A $500,000 Roth IRA can be worth far more to your heirs than a $500,000 Traditional IRA.

15. Capital Gains Strategies and How to Minimize Them

Long-Term vs. Short-Term Capital Gains

Assets held more than one year qualify for long-term capital gains rates — significantly lower than ordinary income rates. This is one of the most powerful and accessible tax preferences in the code.

Long-Term Capital Gains Rate	2025 Taxable Income (Single)	2025 Taxable Income (Married Filing J
0%	$0 – $48,350	$0 – $96,700
15%	$48,350 – $533,400	$96,700 – $600,050
20%	Over $533,400	Over $600,050
Plus 3.8% Net Investment Income Tax (NIIT)	If MAGI exceeds $200,000 (single) / $250,000 (MFJ)	Applies to investment income above threshold

Capital Gains Minimization Strategies

- **Hold assets for 12+ months:** Convert short-term gains (taxed as ordinary income at up to 37%) to long-term gains (max 20%). This single rule change can cut your tax on an investment gain nearly in half.
- **Tax-loss harvesting:** Sell underperforming investments to realize losses that offset capital gains. You can also offset up to $3,000 of ordinary income per year. Unused losses carry forward indefinitely. Repurchase a similar (not identical) investment after 30 days to maintain market exposure while keeping the tax benefit.
- **Opportunity Zone investments:** Invest capital gains in a Qualified Opportunity Zone Fund to defer and potentially reduce gains. Investments held 10+ years in a QOZ Fund result in tax-free appreciation on the QOZ investment itself.
- **Step-up in basis at death:** Assets inherited at death receive a 'step-up' in cost basis to fair market value on the date of death. If your heirs sell inherited assets immediately, they owe zero capital gains tax. This is one of the most powerful estate planning tools — see Section 19 for full strategy.
- **Installment sales:** When selling a business or appreciated real estate, spread gain recognition over multiple years through an installment sale (IRS Form 6252). This keeps you in lower brackets and defers tax.

1031 Exchange (Like-Kind Exchange): Sell one investment property and reinvest proceeds into another 'like-kind' property within strict timelines: 45 days to identify replacement, 180 days to close. Capital gains are deferred until you eventually sell without exchanging — and can be deferred indefinitely through successive exchanges.

Charitable contribution of appreciated assets: Instead of selling appreciated stock and donating cash, donate the stock directly to charity. You deduct the full fair market value and pay zero capital gains tax. Double benefit.

Gifting appreciated assets: Gift appreciated assets to family members in lower tax brackets (0% capital gains rate on taxable income up to $48,350 for single filers in 2025). They can sell the asset paying little or no capital gains tax.

16. The Qualified Business Income (QBI) Deduction

The QBI deduction (Section 199A) allows eligible self-employed individuals and pass-through business owners to deduct up to **20% of qualified business income** from their taxable income. It was made **permanent** under the One Big Beautiful Bill Act (OBBBA) — this is a cornerstone deduction for every small business owner.

Who Qualifies

- Sole proprietors (Schedule C)
- Partners in a partnership
- S-corporation shareholders
- Rental real estate owners (with sufficient activity to qualify as a trade or business)
- Trusts and estates with QBI

Income Thresholds and Phase-Outs (2025)

Below the thresholds, the 20% deduction applies to all qualified business income with no restrictions. Above the thresholds, limitations based on W-2 wages paid and business property apply for certain specified service businesses:

Filing Status	Full Deduction Below	Phase-Out Range	No Deduction Above
Single	$197,300	$197,300 – $247,300	$247,300
Married Filing Jointly	$394,600	$394,600 – $494,600	$494,600

Specified Service Businesses (SSBs) — including consulting, financial services, law, accounting, and health services — face complete phase-out above the income thresholds. However, if your income is below the threshold, even an SSB qualifies for the full 20% deduction. For a solo consultant earning $100,000 in net business income, the QBI deduction saves approximately $4,400–$7,400 in federal income tax depending on bracket.

17. Advanced Timing Strategies: Bunching, Harvesting and More

The Bunching Strategy for Itemized Deductions

With the standard deduction at $15,750 (single) / $31,500 (married) in 2025, many taxpayers find their itemized deductions don't exceed the standard deduction each year — so they never itemize. The bunching strategy solves this by concentrating deductions into alternating years:

1. Year 1 (Bunching Year): Accelerate charitable gifts (make 2 years of donations in one year), prepay property taxes, schedule elective medical procedures. Itemize this year, taking deductions well above the standard amount.
2. Year 2 (Standard Year): Make no extra charitable gifts. Take the standard deduction.
3. Result: Two years of total deductions > Two times the standard deduction, resulting in net tax savings versus taking the standard deduction both years.
4. Donor-Advised Funds (DAFs) make bunching especially powerful: contribute a large lump sum to a DAF in year 1 (taking the full charitable deduction), then recommend grants to charities over multiple years.

Timing Income and Deductions

Defer income when possible: If you expect to be in a lower bracket next year, delay billing clients or receiving income until January. For S-corp owners, time your salary distributions.

Accelerate deductions: Prepay deductible expenses before year-end: business expenses, estimated taxes (within SALT limits), subscription renewals, professional development.

Manage Roth conversion timing: Convert Traditional IRA funds to Roth in low-income years — gaps between jobs, early retirement years, or after significant business deductions.

Recognize capital gains in low-income years: If your income falls into the 0% long-term capital gains bracket (under $48,350 single in 2025), recognize gains tax-free.

Tax-Loss Harvesting in Detail

Systematically review your investment portfolio — especially in volatile markets — for opportunities to realize losses that offset realized gains. Key rules to follow:

- The Wash Sale Rule: Do not repurchase the same (or substantially identical) security within 30 days before or after the sale — or the loss is disallowed.
- You can immediately buy a similar (but not identical) investment: sell an S&P; 500 index fund and buy a Total Market index fund, for example.
- Up to $3,000 of net capital losses per year can offset ordinary income.
- Excess losses carry forward indefinitely to future tax years.
- Harvesting is most valuable for investors in the 15–20% capital gains bracket.

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18. Record-Keeping Best Practices for Audit Protection

The IRS generally has 3 years from the filing date to audit a return — extending to 6 years if substantial income was omitted, and indefinitely if fraud is alleged. Keep records accordingly.

What to Keep and For How Long

Record Type	Retention Period	Notes
Tax returns	Keep permanently	The starting point for any audit defense
W-2s, 1099s, K-1s	7 years minimum	Income documentation for return years
Business expense receipts	7 years	All deductible business expenses
Vehicle mileage logs	7 years	Required if taking auto deduction
Home purchase & improvement records	Life of ownership + 7 years after sale	Increases cost basis, reduces capital gains
Investment purchase records	Life of investment + 7 years after sale	Establishes cost basis for capital gains
Trust documents, wills, deeds	Permanently	Essential for estate administration
Business formation documents	Permanently	Operating agreements, articles of incorporation
Charitable donation receipts	7 years	Written acknowledgment required for gifts $250+
Retirement account statements	Until funds fully withdrawn + 7 years	Track basis for Roth accounts

Digital Record-Keeping System

- Scan and categorize every receipt immediately using apps like Expensify, Wave, or simply a folder system in Google Drive or Dropbox.
- Keep a mileage log in real time — apps like MileIQ or Everlance auto-track and categorize trips.
- Reconcile accounts monthly: compare bank/card statements to your records.
- Maintain a separate business bank account and credit card — never comingle personal and business funds.
- Back up all digital records in multiple locations: cloud + external drive.
- For cash transactions, document purpose, amount, and business connection immediately.

Your Records Are Your Defense
A properly documented return with organized records is the strongest audit defense. Auditors look for inconsistency and undocumented deductions. Your paper trail tells the story of your business. Make sure it's a story that holds up — because every deduction you take legally and document properly is money that stays in your community, your family, and your legacy.

PART THREE

COMBINING TRUSTS + TAX STRATEGY

The Sovereign Wealth Blueprint

19. How the Right Trust Structure Minimizes Estate and Gift Taxes

The 2025–2026 Estate and Gift Tax Landscape

The estate and gift tax is a unified system — using your lifetime gift tax exemption reduces your estate tax exemption dollar for dollar. The annual gift tax exclusion allows tax-free giving that does NOT touch the lifetime exemption at all.

Metric	2025	2026 (OBBBA — Permanent)
Lifetime Estate/Gift Tax Exemption (per person)	$13.99 million	**$15 million**
Lifetime Exemption (married couple)	$27.98 million	**$30 million**
Annual Gift Tax Exclusion (per recipient)	$19,000	**$19,000**
Annual Exclusion for Married Couples (gift-splitting)	$38,000	**$38,000**
GST Tax Exemption (per person)	$13.99 million	**$15 million**
Top Estate/Gift/GST Tax Rate	40%	**40%**
Applicable Interest Rate (Section 7520) — July 2025	5.2%	**Varies monthly**

The Annual Gift Exclusion: Your Most Accessible Wealth Transfer Tool

You can give any number of individuals up to $19,000 each year (2025–2026) with zero gift tax and zero impact on your lifetime exemption. A married couple can give $38,000 per recipient per year through gift-splitting. This systematic gifting program builds over time:

Recipients	Annual Gifts per Year	Over 10 Years	Over 20 Years
2 children	$38,000 / $76,000 (couple)	$380K / $760K	$760K / $1.52M
2 children + 4 grandchildren	$114,000 / $228,000 (couple)	$1.14M / $2.28M	$2.28M / $4.56M
10 recipients	$190,000 / $380,000 (couple)	$1.9M / $3.8M	$3.8M / $7.6M

The Step-Up in Basis: The Most Powerful Estate Planning Tool You've Never Heard Of

When someone dies and their heirs inherit an appreciated asset, the cost basis of that asset *steps up* to the fair market value at the date of death. The built-in capital gain — accumulated over potentially decades — is permanently erased.

Asset purchased 30 years ago for $50,000

Fair market value at death $500,000

Built-in capital gain $450,000

Capital gains tax if sold before death (at 20%) $90,000

Capital gains tax if sold after inheriting (step-up applies) $0

Tax savings from step-up in basis $90,000 permanently eliminated

Strategy implication: For highly appreciated assets you intend to hold long-term, consider holding them in your estate (not gifting them away) so heirs receive the step-up. Assets you gift away during your lifetime carry your original basis to the recipient — no step-up.

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20. Irrevocable Life Insurance Trusts (ILITs)

Life insurance proceeds are income-tax free — but they are includable in your taxable estate if you own the policy at death. An ILIT solves this by placing the policy outside your estate entirely.

How an ILIT Works

1. The ILIT is created as an irrevocable trust with your heirs or family members as beneficiaries.
2. The ILIT is the owner AND beneficiary of the life insurance policy. You cannot own or control the policy personally.
3. You make annual gifts to the ILIT (using the annual gift exclusion) to fund premium payments. The trustee sends 'Crummey letters' to beneficiaries, giving them a temporary withdrawal right — this ensures the gifts qualify for the annual exclusion.
4. At your death, the policy pays the death benefit to the ILIT — income-tax free AND estate-tax free.
5. The trustee distributes proceeds per the trust terms: supporting surviving family, paying estate taxes on other assets, or building a legacy fund.

Why ILITs Are Especially Powerful

- **Estate tax liquidity:** For estates with significant illiquid assets (real estate, businesses), an ILIT provides cash to pay estate taxes without forcing a distressed sale of family assets.
- **Wealth equalization:** Use life insurance to equalize inheritances among children who receive different types of assets (one gets the business, others get the insurance proceeds).
- **Leverage:** A relatively small annual premium can create a very large, estate-tax-free death benefit.
- **Creditor protection:** Proceeds held in the trust are generally protected from both the insured's and beneficiary's creditors.

Critical rule: If you transfer an existing life insurance policy to an ILIT and die within 3 years of the transfer, the policy is pulled back into your estate. Best practice: have the ILIT apply for and own a new policy from day one.

21. Grantor Retained Annuity Trusts (GRATs)

A GRAT is a sophisticated estate planning tool that allows you to transfer the appreciation of high-growth assets to heirs with little to no gift tax — particularly effective in low-interest-rate environments.

How a GRAT Works

1. **Funding:** You transfer appreciated or high-growth assets (stocks, business interests, real estate) to an irrevocable GRAT.
2. **Annuity payments:** The GRAT pays back an annuity to you for a fixed term (typically 2–10 years). The annuity is calculated so that the present value of payments equals or nearly equals the amount contributed — the 'zeroed-out GRAT.'
3. **The hurdle rate:** The IRS assumes assets will grow at the Section 7520 rate (approximately 5.2% in mid-2025). If assets actually grow faster than this rate, the excess appreciation passes to heirs gift-tax free.
4. **Example:** You transfer $1 million of stock expected to grow 12% annually. If the 7520 rate is 5%, the excess 7% return passes out of your estate each year — potentially hundreds of thousands transferred without gift tax.
5. **Mortality risk:** If you die during the GRAT term, assets are pulled back into your estate. Short-term GRATs (2 years) minimize this risk. You can create a series of rolling 2-year GRATs.

When GRATs Work Best

GRATs are most powerful when: (1) asset growth substantially exceeds the 7520 rate, (2) you have a longer life expectancy, and (3) you contribute assets with high expected growth (pre-IPO shares, growing business interests, alternative investments). In low-interest environments, the hurdle rate is lower, making it easier for assets to exceed it.

22. Charitable Remainder Trusts (CRTs) for Tax-Efficient Giving

A CRT solves a specific and common problem: you hold highly appreciated assets (stock, real estate, business interests) that you want to sell, but selling directly would trigger a massive capital gains tax bill. A CRT can eliminate that tax while providing income and a charitable legacy.

The CRT Structure

1. You transfer appreciated assets to an irrevocable CRT.
2. The trustee sells the assets inside the trust — NO capital gains tax at the time of sale because the trust is a tax-exempt entity.

3. The full proceeds are reinvested and generate income for you (and/or others) for a term of years or lifetime.
4. You receive an immediate partial charitable income tax deduction based on the actuarially-determined present value of the remainder interest going to charity.
5. At the end of the trust term (or at your death), the remaining assets pass to the designated charity or charitable foundation.

Two Types of CRTs

Charitable Remainder Annuity Trust (CRAT): Pays a fixed dollar amount each year (minimum 5% of initial value). No additional contributions after funding.

Charitable Remainder Unitrust (CRUT): Pays a fixed percentage of trust assets valued annually (minimum 5%). Payout fluctuates with trust value. Additional contributions can be made. More flexible and more commonly used.

Replacing the Charitable Bequest with an ILIT

A common strategy: combine a CRT with an ILIT. You contribute appreciated assets to a CRT, receive the income stream and upfront deduction, and use a portion of the income stream to fund an ILIT. The ILIT's death benefit replaces the wealth that will ultimately pass to charity — ensuring your heirs are not disadvantaged by your charitable intent. This is sometimes called a 'wealth replacement trust.'

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23. Family Limited Partnerships (FLPs) Alongside Trusts

A Family Limited Partnership (FLP) — or its modern equivalent, a Family Limited Liability Company (FLLC) — is an entity owned by family members that holds family assets. When combined with trust structures, it creates one of the most powerful asset protection and wealth transfer frameworks available.

How an FLP Works

1. **Formation:** Create an FLP with family members as partners. Typically, parents hold general partner (GP) interests (controlling, usually 1–2%) and limited partner (LP) interests (non-controlling, 98–99%).
2. **Asset contribution:** Family assets (investments, real estate, business interests) are transferred to the FLP.
3. **Control retention:** Parents (as GPs) retain full management control over FLP assets — investment decisions, distributions, operations.
4. **Gift limited interests:** Parents gift LP interests to children, grandchildren, or trusts over time, using the annual gift exclusion and/or lifetime exemption.
5. **Valuation discounts:** LP interests in a closely-held FLP are typically discounted 20–40% for lack of control and lack of marketability when valued for gift/estate tax purposes. This means you can transfer more economic value using less of your lifetime exemption.

Example of Valuation Discount Power

You contribute $1 million of investments to an FLP. You gift a 20% LP interest to your child. Without discounting, the gift value is $200,000 (20% × $1M). With a 35% combined discount, the gift value is $130,000 — a $70,000 reduction in gift tax value, effectively allowing you to transfer $200,000 of economic value while using only $130,000 of your lifetime exemption.

FLP + Trust Combination Strategy

Instead of gifting LP interests directly to children, gift them to an irrevocable trust (such as a Spousal Lifetime Access Trust — SLAT — or a dynasty trust) for their benefit. This approach: (1) removes assets from your estate with valuation discounts, (2) provides the trust's asset protection and distribution control, (3) keeps all economic benefit within your family system, and (4) allows continued compounding inside a GST-exempt trust structure.

> **Bona Fide Business Purpose Requirement**
> IRS Warning: FLPs must have a genuine business purpose beyond estate planning. If the FLP lacks economic substance — operates as a mere holding company with no real business activity — the IRS may disregard the entity and the valuation discounts under the 'step transaction' doctrine. Work with qualified tax counsel. The strategy is powerful and legitimate when structured correctly.

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24. Building Your Sovereign Financial Legacy: Putting It All Together

The true power of generational wealth planning comes from combining these strategies into an integrated system — each piece reinforcing the others. Here is a practical framework organized by wealth tier:

Foundation Level (Net Worth Under $1 Million)

- Revocable Living Trust as the core estate planning document (with pour-over will)
- Durable Financial Power of Attorney and Healthcare Directive
- Beneficiary designations reviewed and updated on all accounts
- Term life insurance in an ILIT (or pre-ILIT structure) to protect family income
- Fully fund emergency fund + max out Roth IRA each year
- Open Solo 401(k) or SEP-IRA if self-employed and fund to maximum
- Implement basic business structure (LLC or S-corp) if self-employed
- Annual gifting program: use the $19,000 annual exclusion intentionally
- Basic record-keeping system in place; tax advisor on retainer

Growth Level (Net Worth $1M–$5M)

- Irrevocable trust for asset protection (Nevada or South Dakota DAPT if significant assets)
- ILIT funded with permanent life insurance for estate liquidity and tax-free wealth transfer
- FLP or FLLC to hold investment portfolio and/or real estate, with annual gifting of LP interests
- Roth conversion strategy in low-income years

- QBI deduction fully optimized through business structure
- 1031 exchange program for real estate portfolio growth
- Charitable giving via Donor-Advised Fund with bunching strategy
- Annual comprehensive tax review with CPA (not just return preparation)

Legacy Level (Net Worth $5M+)

- Dynasty trust in South Dakota or Nevada as the centerpiece — fund with full GST exemption
- GRAT series for high-growth assets: rolling 2-year GRATs seeded with business interests or concentrated stock
- CRT for highly appreciated assets: eliminate capital gains tax while generating income and leaving charitable legacy
- FLP nested inside dynasty trust: valuation discounts + GST exemption = maximum transfer efficiency
- ILIT for estate tax liquidity: ensure heirs don't need to liquidate illiquid assets at death
- Qualified Opportunity Zone investments for long-term capital gains deferral and elimination
- Grantor trust income tax strategy: pay trust's income tax personally, effectively making additional gifts to the trust beneficiaries tax-free
- Board of advisors: estate planning attorney, CPA, investment advisor, insurance specialist working as coordinated team

The Sovereign Wealth Journey Is Built in Layers
You don't need to implement everything at once. Start where you are. The Revocable Living Trust and basic estate documents are the foundation — everything else builds on top. Each strategy you add is a layer of protection, a layer of sovereignty, a layer of legacy. The wealthiest families didn't build their systems overnight. They built them methodically, starting with foundations and expanding over decades. You are doing the same.

QUICK REFERENCE CHECKLIST

Your Generational Wealth Action Plan

Trust Foundations

- ■ Determine your primary trust goals (probate avoidance / asset protection / tax reduction)
- ■ Choose trust type: Revocable Living Trust as starting point for most people
- ■ Identify trustee and at least two successor trustees
- ■ Engage a qualified estate planning attorney to draft trust documents
- ■ Sign and notarize the trust document
- ■ Obtain EIN for any irrevocable trust
- ■ Transfer real estate into trust (record new deed)
- ■ Retitle bank and brokerage accounts to trust
- ■ Update beneficiary designations for retirement accounts and life insurance
- ■ Execute pour-over will as companion document
- ■ Create Durable Power of Attorney and Healthcare Directive
- ■ Review trust every 3–5 years or after major life events

Asset Protection

- ■ Evaluate whether an irrevocable trust or DAPT is appropriate for your situation
- ■ Consider best state for trust administration (Nevada, South Dakota, Delaware)
- ■ Set up LLC or FLP to hold investment assets and real estate
- ■ Review business liability exposure — separate personal and business assets completely
- ■ Consult with attorney before transferring assets if potential creditor claims exist

Dynasty Trust / Generational Strategy

- ■ Calculate available GST exemption ($15M per person in 2026)
- ■ Identify assets most suitable for dynasty trust contribution (growth assets, not income-generating)
- ■ Select favorable dynasty trust state with no rule against perpetuities
- ■ Establish corporate trustee relationship for long-term administration
- ■ Allocate GST exemption to dynasty trust at funding — do not delay
- ■ Document trust terms for multi-generational distribution philosophy

Tax Optimization — Individual

- ■ Calculate marginal vs. effective tax rate — know your bracket

■ Determine whether to itemize or take the standard deduction this year
■ Review SALT deduction opportunity (up to $40,000 in 2025)
■ Maximize HSA contributions ($4,300 single / $8,550 family in 2025)
■ Evaluate Roth IRA conversion opportunity in any low-income year
■ Review portfolio for tax-loss harvesting opportunities (especially Q4)
■ Identify appreciated assets appropriate for charitable contribution (vs. cash gifts)
■ Model bunching strategy for charitable gifts using a Donor-Advised Fund
■ Review capital gains holding periods — do not sell before 12-month mark
■ Apply 0% capital gains rate strategy in low-income years
■ Evaluate 1031 exchange for any planned real estate sales

Tax Optimization — Business Owner

■ Determine whether S-corp election makes sense (profit above $50K–$60K threshold)
■ Open and maximize Solo 401(k) or SEP-IRA contributions
■ Document home office, mileage, and business meal expenses in real time
■ Take advantage of Section 179 / bonus depreciation for equipment
■ Confirm QBI deduction is being taken — 20% of qualified business income
■ Verify self-employed health insurance deduction is fully claimed
■ Review timing of income and expenses before year-end
■ Consult CPA for year-end tax projection (not just return prep)

Advanced Estate Strategies

■ Evaluate ILIT for estate tax liquidity — calculate estate tax exposure
■ Consider GRAT series for high-growth concentrated positions
■ Explore CRT for highly appreciated assets you want to liquidate
■ Model FLP / FLLC with valuation discounts for wealth transfer
■ Implement systematic annual gifting program ($19,000 per recipient in 2026)
■ Review step-up in basis planning — hold appreciated assets you intend to pass to heirs
■ Confirm all trust documents work together as a coordinated system
■ Assemble estate planning team: attorney, CPA, financial advisor, insurance specialist

Record-Keeping

■ Maintain separate business bank account and credit card (no commingling)
■ Keep 7+ years of tax returns, receipts, and income documentation
■ Maintain mileage log if taking vehicle deduction
■ Keep home purchase and improvement records indefinitely (until 7 years after sale)
■ Store investment purchase records for cost basis — especially Roth accounts
■ Keep all trust documents, deeds, and business formation documents permanently

■ Back up all digital records in cloud + external drive

■ Obtain written acknowledgment for all charitable donations of $250 or more

YOUR LEGACY IS SOVEREIGN

The strategies in this guide are not theory — they are the same frameworks used by financially sovereign families to build, protect, and pass wealth across generations. Knowledge is the first step. Implementation is where the transformation happens.

Sol Consulting offers one-on-one coaching to help you navigate these strategies — from setting up your first trust to building a multi-generational legacy blueprint. Wherever you are on your sovereignty journey, there is a path forward.

Ready to build your sovereign financial legacy?

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