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| |  |  |  |  | | --- | --- | --- | --- | | |  |  |  | | --- | --- | --- | | **Plan Ahead to Manage the Tax Liabilities on Your Estate**  **Now is the time to take steps that may help reduce your estate taxes. There are several tactics you can employ to help protect yourself and your heirs.**  Your estate consists of your combined gross assets and prior taxable gifts. As of 2023, estates valued above $12.92 million (the personal estate tax exemption) are subject to a federal estate tax up to 40%1. The actions you take now can help manage your estate tax liability, potentially leaving more assets available to your heirs.  **Understand your state laws.** In addition to contending with federal estate tax, you might also face state estate tax if you live in one of the 13 states with an estate tax or the District of Columbia. These states have varying amounts of exclusion amounts before the tax kicks in. Generally, any estate tax you pay to your state can be subtracted from the value of your federally taxable estate. Several other states collect inheritance tax from heirs rather than estate tax from the deceased’s estate. Uniquely, Maryland collects both estate and inheritance tax.  **The name of the game is shedding assets.** Since estate tax is based on assets, you can cut the tax by shedding assets before or upon your death. “Shedding” means spending down your wealth, gifting part of your estate to loved ones or qualified charities, and/or transferring assets to a suitable trust. You can set up one or more irrevocable or bypass trusts to shield some of your assets from federal and state estate taxes. Note that you can pass assets and your remaining personal estate tax exemption to your surviving spouse tax-free.  **Be aware of gift tax rules.** You can annually give away up to $17,000 per recipient ($34,000 for married couples) tax-free2. If you gift an individual more than this annual exclusion, you can either pay the gift tax on the excess or subtract the excess from your lifetime exclusion amount, which is equal to the personal estate tax exemption. The lifetime exclusion amount is indexed to inflation.  **Consider advanced estate planning techniques.** There are several techniques you can apply, although each requires expertise. For example, you can create a Family Limited Liability Company to reduce estate tax and protect assets. A Charitable Remainder Trust provides you a charitable income tax deduction when you fund the trust and your estate receives a charitable estate tax deduction upon your demise. Another alternative is a Qualified Personal Resident Trust that allows you to occupy your home for several years and then pass it to your heirs at a reduced value.  **Control your legacy through estate planning.** The greater your wealth, the greater the need for a sophisticated estate plan with the objective of reducing your estate tax to the minimum legal amount. Some strategies are simple, but setting up trusts and foundations for estate planning purposes requires professional expertise and comes with additional fees and expenses. Contact me and we can review your estate plan and create a strategy to distribute your wealth according to your wishes.  This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.  LPL Financial Representatives offer access to Trust Services through The Private Trust Company N.A., an affiliate of LPL Financial.   |  |  | | --- | --- | | |  | | --- | | [LET'S CONNECT](mailto:##AdvisorEmail##) | |   1 https://smartasset.com/taxes/all-about-the-estate-tax  2 https://www.foley.com/en/insights/publications/2023/02/increased-gift-estate-tax-exemption-amounts-2023#:~:text=Gift%20Tax%20Annual%20Exclusion,The%20gift%20tax&text=The%20annual%20exclusion%20amount%20for,child%2C%20grandchild%20or%20other%20person. | | |
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