

Legacy Planning Reimagined

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THE MARKET



Legacy planning is being redefined in real time. The unprecedented increase in the federal transfer tax exemption has expanded this category to include families with \$30 – \$40 million of net worth – families who, in prior regimes, would have faced meaningful transfer-tax exposure.

This shift has fundamentally altered the legacy planning landscape. For these families, the primary risks are no longer centered on transfer taxes, but instead on inefficient income taxation, erosion of family capital across generations, and exposure to creditors and liability threats. Modern planning now demands strategies centered on income tax management, asset protection, and long-term stewardship.

While transfer-tax mitigation recedes as the dominant planning objective, income tax efficiency and basis management have gained momentum. Thoughtfully structured wealth-transfer vehicles that emphasize adaptability are increasingly central to preserving family wealth in this new environment. Implementing advanced trust structures with innovative provisions that optimize basis planning opportunities and protect against evolving risks has become the cornerstone of modern wealth planning.

We believe that legacy planning still remains mission critical but the greatest risk to long-term multigenerational wealth is no longer federal transfer taxes – it's the steady erosion of capital through income taxes, lack of protection, and inflexible planning structures.

THE STRATEGIES



Advanced legacy planning structures remain essential, but their role has expanded. Such vehicles are no longer used solely to mitigate wealth-transfer taxes – instead, they have new purposes. They're now designed to deliver access/flexibility, asset protection, and stewardship alongside income tax efficiency.

High exemption levels have hardly eliminated the need for sophisticated wealth-transfer planning. Remember modern legacy planning is not static – it's evolutionary through an iterative, disciplined cadence. It's an adaptive strategy designed to preserve wealth, protect family capital, and endure change across generations.



Vehicles such as **spousal lifetime access trusts** (SLATs), **spousal lifetime access non-grantor trusts** (SLANTs), and **domestic asset protection trusts** (DAPTs) must be repurposed and redesigned in some cases, to deliver their newfound purposes.

SLAT Fundamentals: SLATs will continue to proliferate because of their flexibility. Traditionally, assets were transferred to a SLAT to remove them along with their future appreciation from both spouses' taxable estates. At the same time, the beneficiary spouse could receive discretionary trust distributions – allowing the family to maintain practical access to capital without undermining transfer-tax efficiency.

For modern day planning, SLATs will be particularly effective for holding private equity and closely held business interests to support a consolidation of control and family governance. We call these “shared assets” – inheritors must share these assets, making stewardship critical. When paired with life insurance, SLATs (which are the perfect life insurance trust) can also provide liquidity for synthetic family buy-outs.

Conventional SLATs were intentionally structured as grantor trusts for income tax purposes, requiring the grantor (interchangeably known as the trust's creator) to pay the trust's income tax. This will change – the modern day focus will be on income tax mitigation, meaning the trust may instead serve as its own taxpayer, a so-called non-grantor trust, and be established in a more income tax friendly locale.

SLANT Fundamentals: For families sensitive to state income tax exposure, SLANTs offer a compelling alternative. Structured as non-grantor trusts, SLANTs are separate taxpayers and may be established in low-income or no-tax jurisdictions (e.g., Delaware, Florida, New Hampshire, etc.) or used to distribute income to beneficiaries in more favorable tax environments.

This approach preserves many of the benefits of traditional SLAT planning but allows families to exert greater control over ongoing income tax outcomes.

DAPT Fundamentals: DAPTs are a self-defense tool optimizing the protection of wealth through a self-created irrevocable trust that both affords creditor protection while also allowing the trust's creator to serve as the trust's beneficiary. Properly structured, DAPTs can serve as both an income tax efficient transfer vehicle and an asset protection strategy.

Depending on planning objectives, DAPTs may be structured as grantor or non-grantor trusts, providing flexibility to align income tax treatment with broader family goals. Certain states have become quite friendly to such strategies (e.g., Nevada, South Dakota, and Alaska).





The Multilayered Defense – Putting It All Together

For many families, the most challenging long-term tax burden is the capital gains tax borne by future generations. High exemption levels create a rare opportunity to address this risk proactively through thoughtful basis management.

SUBSTITUTION POWERS



In our new planning environment, grantor trusts, including SLATs and grantor DAPTs, may include a substitution power so that the grantor can exchange low-basis trust assets for higher-basis personal assets of equivalent value. Assets held in such a trust lose their basis step-up, while assets owned at one's passing, secure a basis step-up eliminating the built-in capital gains tax. Over time, this strategy can position low-basis assets for a future basis step-up while preserving higher-basis assets inside the trust.

LIFE INSURANCE



As families refine these modern structures, the often-overlooked power of life insurance deserves renewed attention. Its unique tax-free treatment, both through income-tax-free policy growth and the delivery of liquidity at death, makes it one of the few remaining assets that can be strategically engineered to support all pillars of modern planning: Income tax efficiency, asset protection, and long-term stewardship. When integrated into SLATs, SLANTs, DAPTs, and other adaptive trusts, life insurance becomes more than a funding mechanism – it's a tax-advantaged foundation that reinforces family governance, shores up liquidity for future buyouts or equalization needs, and protects low-basis assets from forced sales. In an era where exemptions are high, but risks to multi-generational wealth are higher, leveraging the tax-free power of life insurance is not optional, rather it's a decisive advantage.

COMMUNITY PROPERTY OPT-IN



Community Property states, such as, California and Texas, offer married couples a powerful basis step-up advantage at the first spouse's passing. In non-community property states (which are most of them), jointly held married couple assets receive only a 50% basis step-up, while community property assets receive a full 100% basis step-up at the same moment. Recognizing this benefit, states such as Florida and Tennessee, now permit married couples to opt-in to community property treatment. This emerging planning tool provides families with a meaningful opportunity to better manage basis through intentional ownership structuring.



High exemption levels haven't eliminated the need for sophisticated wealth planning – they've simply changed the bar.

For today's families, success planning isn't necessarily defined by transfer-tax mitigation strategies, but by how well the family is protected, preserved, and positioned for future generations. Modern legacy planning is no longer a static document or a one-time transaction. It's a dynamic, long-term strategy that integrates income tax efficiency, asset protection, and stewardship into a framework designed to endure change.

- Wealth planning must evolve as your wealth, family dynamics, and risk profile evolve – static plans no longer serve dynamic families.
- Flexibility and asset protection are now as critical as tax efficiency in preserving long-term, after-tax wealth.
- The most effective planning structures are built for longevity, designed to adapt across tax regimes, market cycles, and generations.
- Now is the time for families to revisit existing plans and assess whether current structures reflect today's opportunities and tomorrow's risks.
- Centers of Influence must be re-educated on the redefined landscape, where income tax management, asset protection, and stewardship drive value.

The opportunity is here. The question is whether legacy plans are ready to meet it.

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