

July 17th, 2024

Estate and Legacy Planning

Etai Groff

Associate, Wealth Management



DELOS
CAPITAL ADVISORS

Estate and Legacy Planning

When the Tax Cuts and Jobs Act of 2017 (TCJA) was passed, it opened up a significant estate planning opportunity for families. The new legislation nearly doubled the lifetime gift and estate tax exemption, reaching \$13.51 million per person and \$27.22 million for married couples. This shift has allowed many families to strategize the transfer of their wealth and legacy to the next generation, free from the burden of hefty estate taxes.

Unfortunately, this golden opportunity is coming to an end, as the TCJA is scheduled to “sunset” at the conclusion of 2025. Meaning, without any action from Congress, the Lifetime Exemption limits will revert back to their previous levels of \$5.6 million for individuals and \$11.8 million for married couples. For individuals and families that pass away with estates valued greater than these new limits, their estates will be taxed up to 40% before reaching its heirs. And that is just the Federal Estate Tax—some states impose their own inheritance tax as well (Texas does not).

The bright side is that if someone removes assets from their estate before the TCJA expires, the IRS cannot reclaim any taxes that would be owed under the new, lower limits. In other words, using the current Lifetime Exemption limits before the sunset occurs secures your tax exemption permanently. Therefore, we believe it is wise to begin the necessary estate and legacy planning discussions with our clients as soon as possible.

Traditionally, avoiding the hefty estate tax is accomplished through vehicles for wealth transfer, such as trusts, tax minimization, or insurance. However, we see these tools as just means to an end. Before jumping directly into the vehicle used for an estate transfer, we want to understand the *why* behind it. We believe exploring deeper into the motivations driving our clients' wealth and their intent for its impact on future generations leads to more fruitful discussions.

To start, we encourage families to consider their shared values. What has been the driver of your family's success so far and what will allow it to continue to prosper? Do you value education, entrepreneurship, or perhaps philanthropy? For families that prioritize education, allocating funds for schooling expenses may hold significant importance. Likewise, for those inclined towards philanthropy, establishing a Donor-Advised Fund (DAF) could be a strategic move to streamline charitable giving and leave a lasting impact on causes close to their hearts. Each family's set of values will be unique, reflecting their individual traits but rooted in shared

principles. Some questions to consider as you reflect on this with your family include:

- What shared value do you stand for?
- What is your family's definition of success?
- What principles will guide your family to success?
- What involvement do you want to have in the guidance and support of the life journey of each of your family members?
- What type of impact do you want your wealth to have on future generations?

In our experience, families that achieve multi-generational success carefully consider their wealth. They have a deep understanding of who they are, what they stand for, and where they are going. While there are various components to consider, setting clear objectives for your wealth and envisioning how your family interacts with it are crucial.

As you contemplate these questions, you'll gain a deeper insight into the purpose of your wealth, your core values, and your aspirations for your family's future. These discussions will serve as your compass in crafting your family governance structure and, ultimately, in shaping your family's legacy. We trust that this reflection aids you in initiating the process of defining the purpose of your wealth and its significance for generations to come.

At DCA we work with families to not only identify the vehicles of wealth transfer, but also uncover the intention behind their wealth. Our tailored family legacy approach allows our clients to feel more secure and confident in an uncertain environment.

ABOUT DELOS CAPITAL ADVISORS

Delos Capital Advisors (“DCA”) is a financial services company headquartered in Dallas, TX with and clients spanned across the United States. DCA provides services to ultra-high net worth individuals, private family offices and foundations, institutional investors, and financial service companies by providing comprehensive wealth, risk, and investment management services.

© 2024 Delos Capital Advisors, an SEC registered investment advisor with limited liability in the U.S.

This information is not intended to be and should not be treated as accounting, tax, investment, or legal advice as this document is intended for informational purposes only. All readers, individual and professional, should not rely on this information as a substitute or alternative for their own analysis and research, or for obtaining legal, accounting or tax advice from their counsel. All data and information presented herein is current as of the publication date and is subject to change at any time without notice.