



Estate Evaluation Report

Thomas & Jane Sample

Oct 6, 2026

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Planning Considerations

Revocable Trust Review

Your revocable trust appears to be well drafted but is missing certain provisions that could provide additional flexibility for the trustees and beneficiaries. For example, the trust does not specifically authorize the trustee to continue making annual exclusion gifts during the grantors' incapacity, which could limit the ability to continue an established gifting program if either of you becomes incapacitated.

It is recommended that you meet with a qualified estate planning attorney to review the trust and determine whether additional provisions should be incorporated to provide greater flexibility and better address your current planning objectives. The trust should also be reviewed approximately every three to five years, or sooner if there are significant changes in your family, financial circumstances, or applicable law, and updated as appropriate.

Revocable Trust Estate Tax Planning

The revocable trust does not currently include standby estate tax planning provisions, which could limit the trustee's ability to implement estate tax planning and protect trust assets from future estate taxation following the first spouse's death.

It is recommended that the trust be updated to include a disclaimer-based estate tax formula, allowing the surviving spouse the flexibility to disclaim assets into a credit shelter trust or similar structure if estate tax planning becomes necessary after the first spouse's death. This approach can provide greater flexibility while allowing the surviving spouse to determine whether estate tax planning is appropriate based on the circumstances existing at that time.

Trust Distributions for Children

The trust currently provides for outright distributions to adult children, which may leave inherited assets vulnerable to the children's creditors or claims arising from divorce.

It is recommended that consideration be given to distributing assets to the children through lifetime protective trusts rather than outright. Properly structured trusts can provide greater protection for inherited assets while allowing the children continued access to and benefit from the trust assets.

Revocable Trust Funding

It appears that some assets are not properly titled in the name of your revocable trust and do not have beneficiary designations directing those assets to the trust upon death. As a result, these assets may be subject to probate, which can create unnecessary costs, delays, and court involvement in the administration of the estate.

It is recommended that the ownership of all assets be reviewed and coordinated with the revocable trust to ensure assets are properly aligned with the overall estate plan. Fully funding the revocable trust can help minimize probate and ensure assets are efficiently administered and distributed according to the terms of the trust.

Planning Considerations (Continued)

Pourover Will Review

The pourover wills are well drafted and properly coordinated with the revocable trust. Their primary purpose is to direct any assets that are not otherwise titled in the trust at death to the revocable trust, helping ensure those assets are ultimately distributed according to the trust's terms.

It is recommended that the fiduciary appointments under the wills, including the personal representatives, be reviewed regularly to ensure the individuals named remain appropriate and willing to serve.

Durable Power of Attorney Review

The durable powers of attorney are immediate in nature, meaning the appointed agent has authority to act on behalf of the principal upon execution of the document, rather than only after the principal becomes incapacitated. Immediate powers of attorney can be advantageous because they avoid the need to establish incapacity before an agent can act and can provide greater flexibility if assistance is needed. However, they also give the agent authority while the principal remains competent, making it particularly important that the appointed agent be someone the principal trusts. Alternatively, a springing power of attorney becomes effective only upon the occurrence of a specified triggering event, typically the principal's incapacity. This can provide greater control while the principal is competent, but may create delays or administrative challenges because incapacity must first be established before the agent can act.

It is recommended that the fiduciary appointments under the durable powers of attorney be reviewed regularly to ensure the named agents and successor agents remain appropriate, willing, and able to serve.

Federal Estate Tax Exposure

Based on the projected estate value, the estate is expected to be subject to significant federal estate taxation. The current life insurance policies are personally owned and, as a result, the death benefits would generally be included in the taxable estate at death, further increasing the estate tax liability.

It is recommended that consideration be given to gifting or, where appropriate, selling the life insurance policies to an irrevocable life insurance trust (ILIT). Properly structured ownership of the policies outside of the taxable estate can prevent the life insurance death benefits from increasing the taxable estate and may provide additional liquidity to address estate tax obligations.

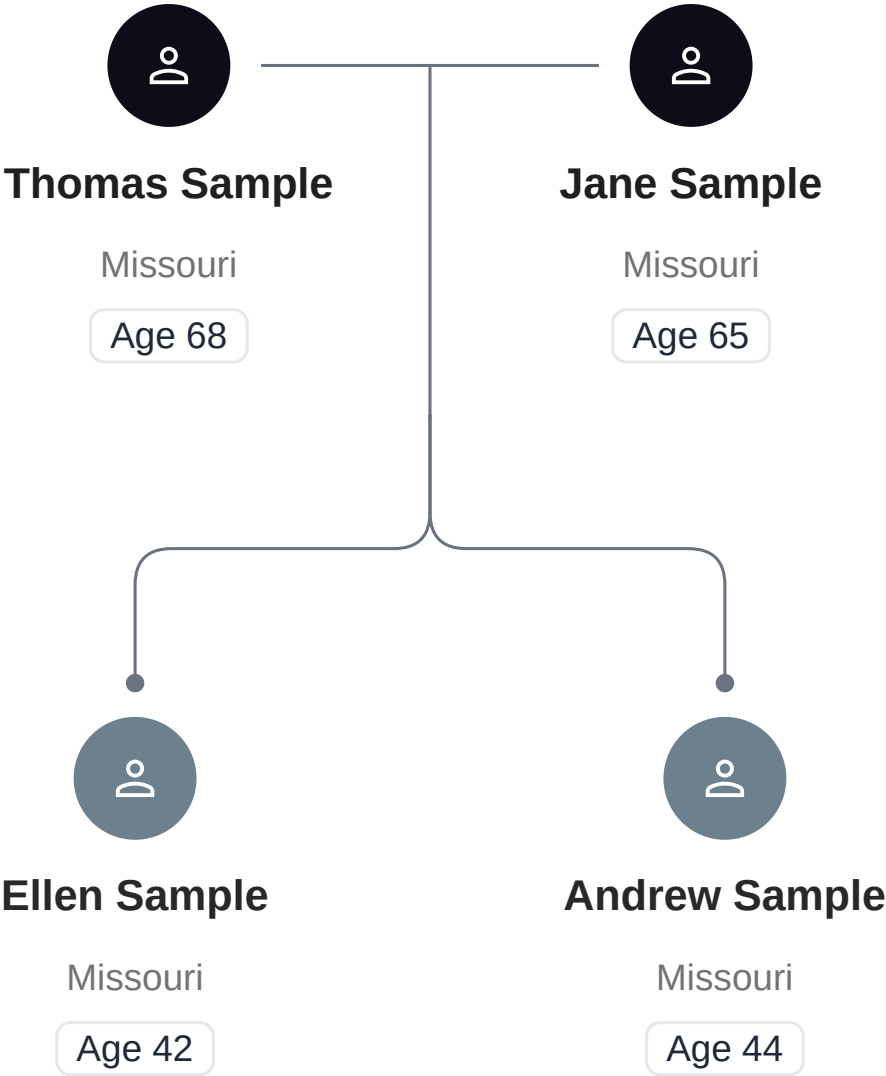
It is further recommended that you consider implementing an annual exclusion gifting program to remove gifted principal, as well as any future appreciation on that principal, from the taxable estate. This can provide a systematic way to reduce the size of the taxable estate while transferring wealth to the next generation.

Planning Considerations (Continued)

Current Whole Life Insurance Policies

The current whole life insurance policies have significant cash value but do not appear to be addressing a current planning need. It is recommended that consideration be given to a tax-free Section 1035 exchange of the cash value into linked-benefit long-term care insurance policies. This strategy can reposition existing policy value toward a potential long-term care need without triggering current income taxation on the exchange, assuming the transaction is structured to qualify under applicable tax rules.

Linked-benefit long-term care policies can provide a pool of benefits specifically designed to help cover the potentially significant costs associated with home care, assisted living, or nursing care. In addition to providing long-term care benefits if needed, these policies generally provide a death benefit if long-term care benefits are not fully utilized. This can provide greater flexibility and help ensure that existing cash value is being used to address a meaningful financial risk while preserving a potential benefit for the family.



Trusts overview



Sample Family Revocable Living Trust (Revocable trust)

GRANTOR

Thomas Sample and Jane Sample, as joint settlors, established the trust on September 1, 2026.

FIDUCIARIES

Thomas Sample and Jane Sample serve as initial co-trustees. Upon either settlor's death, resignation, or incapacity, the other serves alone; Andrew Sample, then Ellen Sample, then Margaret Coleman serve as successors, with Andrew and Ellen permitted to serve jointly.

BENEFICIARIES

During their joint lifetimes, Thomas and Jane may receive trust income and principal. After the first death, the trust continues for the surviving settlor; at the surviving settlor's death, the residue passes outright in equal shares to the surviving children, or to a deceased child's descendants per stirpes.

NOTES

The trust is governed by Missouri law.



Descendant's Separate Trust (Sub-trust)

GRANTOR

Thomas Sample and Jane Sample — created at the surviving settlor's death if a descendant is entitled to an outright distribution before age 25.

FIDUCIARIES

The acting trustee under the Sample Family Revocable Living Trust administers the separate trust.

BENEFICIARIES

The trustee may distribute income and principal for the descendant's health, education, maintenance, and support. The remaining balance is distributed at age 25; if the descendant dies earlier, it passes to that descendant's living descendants per stirpes, or otherwise to the settlors' living descendants per stirpes.

NOTES

The trust includes spendthrift protection while assets remain in trust.

Wills



Jane Sample

DATE EXECUTED

Unsigned

EXECUTOR

Thomas Sample

SUCCESSOR EXECUTORS

Ellen Sample, then Andrew Sample

ESTATE DISTRIBUTION

Pour-over to the Sample Family Revocable Living Trust

STATE LAW

Missouri

NOTES

Includes a 30-day survival requirement and a no-contest provision.



Thomas Sample

DATE EXECUTED

Unsigned

EXECUTOR

Jane Sample

SUCCESSOR EXECUTORS

Andrew Sample, then Ellen Sample

ESTATE DISTRIBUTION

Pour-over to the Sample Family Revocable Living Trust

STATE LAW

Missouri

NOTES

Includes a 30-day survival requirement and a no-contest provision.

Powers of Attorney



Jane Sample

DATE EXECUTED

Unsigned

ATTORNEY-IN-FACT (PRIMARY)

Thomas Sample

SUCCESSOR ATTORNEYS-IN-FACT

First successor: Ellen Sample. Second successor: Margaret E. Coleman.

SCOPE OF AUTHORITY

Broad authority over all property and financial affairs, including real property, banking, investments, business interests, borrowing, insurance, retirement plans, taxes, legal claims, records, and digital assets. The agent also has express authority regarding trusts, gifts, survivorship rights, beneficiary designations, powers of appointment, and gift-splitting, subject to the stated limitations.

WHEN EFFECTIVE

Immediately

STATE LAW

Missouri

NOTES

Durable and remains effective notwithstanding later disability or incapacity. It terminates upon death, revocation, or a court order appointing a conservator, except as otherwise directed by the court.



Thomas Sample

DATE EXECUTED

Unsigned

ATTORNEY-IN-FACT (PRIMARY)

Jane Sample

SUCCESSOR ATTORNEYS-IN-FACT

First successor: Andrew Sample. Second successor: Margaret E. Coleman.

SCOPE OF AUTHORITY

Broad authority over all property and financial affairs, including real property, banking, investments, business interests, borrowing, insurance, retirement plans, taxes, legal claims, records, and digital assets. The agent also has express authority regarding trusts, gifts, survivorship rights, beneficiary designations, powers of appointment, and gift-splitting, subject to the stated limitations.

WHEN EFFECTIVE

Immediately

STATE LAW

Missouri

NOTES

Durable and remains effective notwithstanding later disability or incapacity. It terminates upon death, revocation, or a court order appointing a conservator, except as otherwise directed by the court.

Healthcare directives



Jane Sample

DATE EXECUTED

Unsigned

HEALTHCARE AGENT (PRIMARY)

Thomas Sample

SUCCESSOR HEALTHCARE AGENTS

First successor: Ellen Sample. Second successor: Andrew Sample.

SCOPE OF AUTHORITY

Authority arises upon incapacity and includes medical treatment decisions, provider and facility selection, access to health information, and pain and comfort care.

TREATMENT PREFERENCES

If she has an incurable and irreversible condition expected to result in death within a relatively short time, or is persistently unconscious with no reasonable expectation of recovery, life-sustaining treatment that only artificially prolongs dying is to be withheld or withdrawn. Comfort care and pain relief are to be provided.

STATE LAW

Missouri

NOTES

Includes HIPAA authorization and nomination of the then-serving agent as guardian if a guardian is needed.



Thomas Sample

DATE EXECUTED

Unsigned

HEALTHCARE AGENT (PRIMARY)

Jane Sample

SUCCESSOR HEALTHCARE AGENTS

First successor: Andrew Sample. Second successor: Ellen Sample.

SCOPE OF AUTHORITY

Authority arises upon incapacity and includes medical treatment decisions, provider and facility selection, access to health information, and pain and comfort care.

TREATMENT PREFERENCES

If he has an incurable and irreversible condition expected to result in death within a relatively short time, or is persistently unconscious with no reasonable expectation of recovery, life-sustaining treatment that only artificially prolongs dying is to be withheld or withdrawn. Comfort care and pain relief are to be provided.

STATE LAW

Missouri

NOTES

Includes HIPAA authorization and nomination of the then-serving agent as guardian if a guardian is needed.

Balance sheet

Total net worth

\$12.0M

\$10.3M liquid (86%)

In estate

\$12.0M

\$10.3M liquid (86%)

Out of estate

\$0.0

\$0 liquid (0%)

Family giving

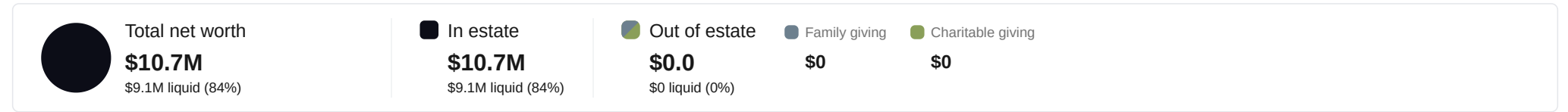
\$0

Charitable giving

\$0

	IN ESTATE					OUT OF ESTATE	TOTAL
Assets	Thomas Sample	Jane Sample	Joint assets	Sample Family Revocable Living Trust	In estate total	Out of estate total	Grand total
Cash	--	--	\$60,000	\$650,000	\$710,000	--	\$710,000
Retirement	\$1,900,000	\$1,600,000	--	--	\$3,500,000	--	\$3,500,000
Liquid investments	--	--	\$700,000	\$3,800,000	\$4,500,000	--	\$4,500,000
Real estate	--	--	--	\$1,300,000	\$1,300,000	--	\$1,300,000
Tangible personal property	\$45,000	\$100,000	\$70,000	\$175,000	\$390,000	--	\$390,000
Total assets	\$1,945,000	\$1,700,000	\$830,000	\$5,925,000	\$10,400,000	\$0	\$10,400,000
Liabilities	--	--	--	--	--	--	--
Life insurance (Death benefit included in total)	\$1,000,000 \$210K cash value	\$600,000 \$130K cash value	--	--	\$1,600,000 \$340K cash value	--	\$1,600,000 \$340K cash value
Subtotals	\$2,945,000	\$2,300,000	\$830,000	\$5,925,000	\$12,000,000	\$0	\$12,000,000
Total net worth							\$12,000,000

Entities list



Entity	Asset location	Net value
Sample Family Revocable Living Trust Revocable trust	In estate (Federal & State)	\$5,925,000 as of 9/1/26
Thomas's retirement accounts Retirement accounts	In estate (Federal & State)	\$1,900,000 as of 9/1/26
Jane's retirement accounts Retirement accounts	In estate (Federal & State)	\$1,600,000 as of 9/1/26
Joint assets & liabilities Joint assets and liabilities	In estate (Federal & State)	\$830,000 as of 9/1/26
Thomas's life insurance Directly held life insurance	In estate (Federal & State)	\$210,000 as of 9/1/26
Jane's life insurance Directly held life insurance	In estate (Federal & State)	\$130,000 as of 9/1/26
Jane's assets & liabilities Personal assets and liabilities	In estate (Federal & State)	\$100,000 as of 9/1/26
Thomas's assets & liabilities Personal assets and liabilities	In estate (Federal & State)	\$45,000 as of 9/1/26

Waterfall overview

Default growth

Today (2026)

Death years	
Thomas Sample	2026
Jane Sample	2026

Tax	
Federal tax rate	40.00%
Assumes portability	Yes
Estate tax payment	Pro rata
Estimated estate taxes are deducted proportionally from each entity subject to estate tax	

Projected remaining exemption upon death	
Thomas Sample	\$15,000,000
Jane Sample	\$30,000,000
Inflation rate	2.00%

Growth profile		Default growth
This waterfall uses a default growth profile. Asset categories listed below carry the following growth rates.		
Asset categories		Default growth rate
Hedge fund, Private equity, Venture capital		10.00%
Equities, Investments blended, Retirement blended		6.00%
Alternatives, Cryptocurrency, Fixed income		3.00%
Collectibles, Commodities, Privately held businesses, Real estate, Unspecified (Illiquid)		2.40%
Cash, Unspecified (Liquid)		1.00%
Liabilities, Personal property, Private credit, Receivables		0.00%

Cashflows		
Name	Client/entity	Amount
Salary - Thomas Recurring from 2026 through 2030	Joint assets & liabilities	\$462,000 2.40% growth
Social Security - Thomas Recurring from 2026 through 2043	Joint assets & liabilities	\$42,214 2.40% growth

Continued on next page

Death years	
Thomas Sample	2026
Jane Sample	2026

Tax	
Federal tax rate	40.00%
Assumes portability	Yes
Estate tax payment	Pro rata
Estimated estate taxes are deducted proportionally from each entity subject to estate tax	

Projected remaining exemption upon death	
Thomas Sample	\$15,000,000
Jane Sample	\$30,000,000
Inflation rate	2.00%

Cashflows

Name	Client/entity	Amount
Social Security - Jane Recurring from 2029 through 2043	Jane's assets & liabilities	\$1,616 2.40% growth
Joint & Survivor Pension Recurring from 2031 through 2048	Joint assets & liabilities	\$36,000
Household Expenses Recurring from 2026 through 2048	Joint assets & liabilities	\$240,000 2.40% growth

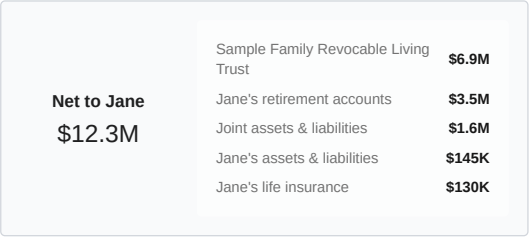
■ In estate ■ Out of estate (family) ■ Out of estate (charity) ■ Gift & estate tax ■ Life insurance death benefit



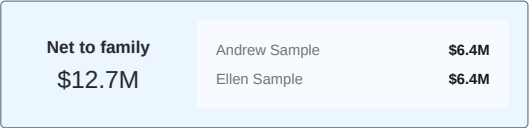
Before Thomas's death (2026)

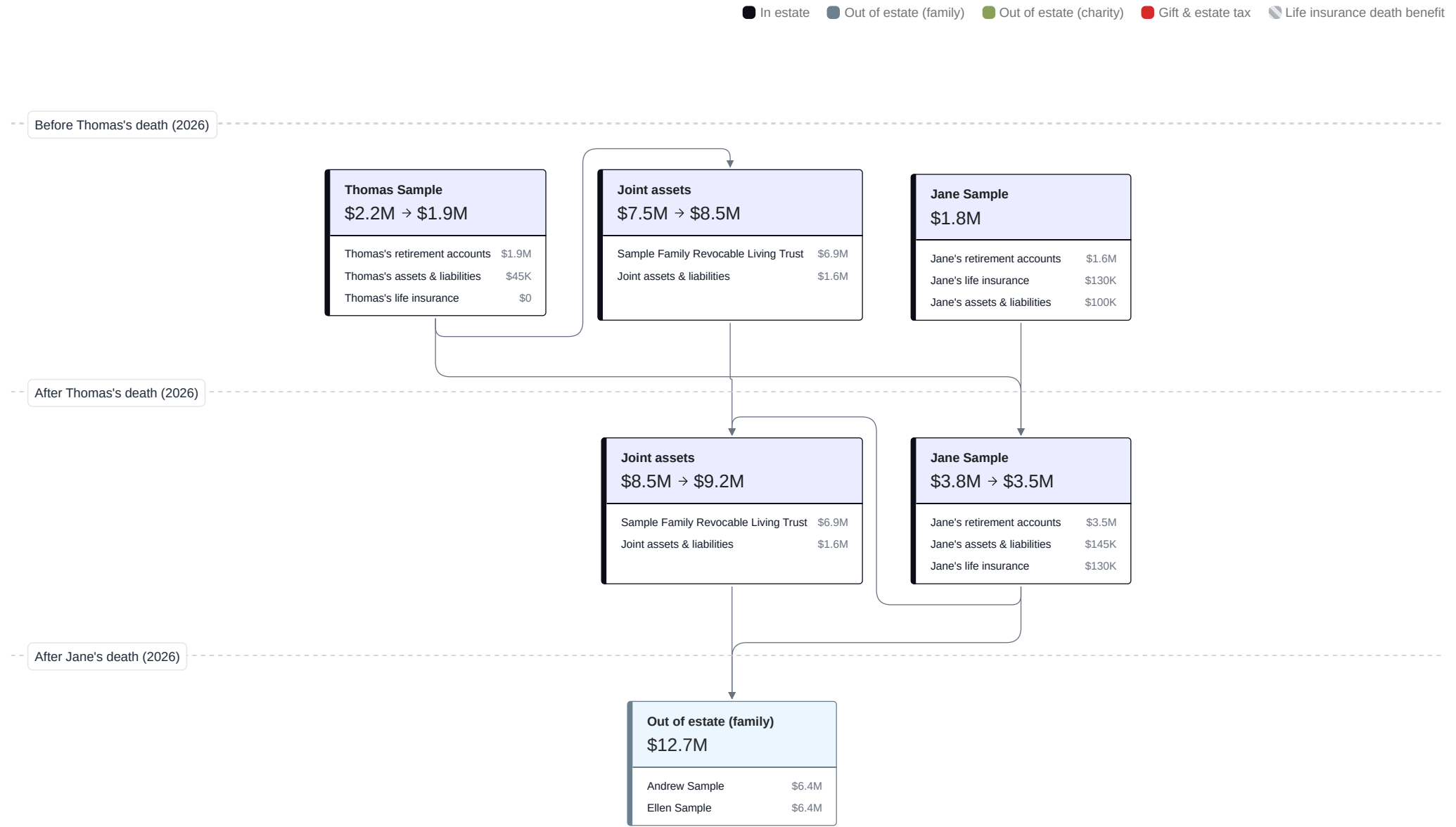


After Thomas's death (2026)



After Jane's death (2026)





Before Thomas's death (2026)	Today	2026
Assets in estate		
In estate of Thomas & Jane Sample	\$10,740,000	\$12,274,214
Total in estate	\$10,740,000	\$12,274,214
Net assets		
In estate of Thomas & Jane Sample	\$10,740,000	\$12,274,214
Out of estate fbo family	\$0	\$0
Out of estate fbo charity	\$0	\$0
Total net assets	\$10,740,000	\$12,274,214
Remaining exemption		
Lifetime exemption	\$30,000,000	\$30,000,000

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After Thomas's death (2026)	2026
Taxes and expenses	
Federal estate tax	\$0
Total taxes and expenses	\$0
After tax distributions	
Marital transfers	\$1,945,000
Transfers to family	\$0
Transfers to charity	\$0
Total after tax distributions	\$1,945,000
Net assets	
In estate of Jane Sample	\$12,274,214
Out of estate fbo family	\$0

Continued on next page

After Thomas's death (2026)	2026
Net assets (cont.)	
Out of estate fbo charity	\$0
Total net assets	\$12,274,214
Remaining exemption	
Remaining exemption	\$15,000,000

Continued on next page

After Jane's death (2026)	2026
Taxes and expenses	
Federal estate tax	\$0
Total taxes and expenses	\$0
After tax distributions	
Transfers to family	\$12,744,214
Transfers to charity	\$0
Total after tax distributions	\$12,744,214
Net assets	
Out of estate fbo family	\$12,744,214
Out of estate fbo charity	\$0
Total net assets	\$12,744,214

Continued on next page

After Jane's death (2026)	2026
Remaining exemption	
Remaining exemption	\$30,000,000

Waterfall overview

Default growth

Life Expectancy (2043 & 2048)

Death years	
Thomas Sample	2043
Jane Sample	2048

Tax	
Federal tax rate	40.00%
Assumes portability	Yes
Estate tax payment	Pro rata
Estimated estate taxes are deducted proportionally from each entity subject to estate tax	

Projected remaining exemption upon death	
Thomas Sample	\$21,000,000
Jane Sample	\$44,180,000
Inflation rate	2.00%

Growth profile

Default growth

This waterfall uses a default growth profile. Asset categories listed below carry the following growth rates.

Asset categories	Default growth rate
Hedge fund, Private equity, Venture capital	10.00%
Equities, Investments blended, Retirement blended	6.00%
Alternatives, Cryptocurrency, Fixed income	3.00%
Collectibles, Commodities, Privately held businesses, Real estate, Unspecified (Illiquid)	2.40%
Cash, Unspecified (Liquid)	1.00%
Liabilities, Personal property, Private credit, Receivables	0.00%

Cashflows

Name	Client/entity	Amount
Salary - Thomas Recurring from 2026 through 2030	Joint assets & liabilities	\$462,000 2.40% growth
Social Security - Thomas Recurring from 2026 through 2043	Joint assets & liabilities	\$42,214 2.40% growth

Continued on next page

Life Expectancy (2043 & 2048) Default growth

Assumptions

Death years	
Thomas Sample	2043
Jane Sample	2048

Tax	
Federal tax rate	40.00%
Assumes portability	Yes
Estate tax payment	Pro rata
Estimated estate taxes are deducted proportionally from each entity subject to estate tax	

Projected remaining exemption upon death	
Thomas Sample	\$21,000,000
Jane Sample	\$44,180,000
Inflation rate	2.00%

Cashflows

Name	Client/entity	Amount
Social Security - Jane Recurring from 2029 through 2043	Jane's assets & liabilities	\$1,616 2.40% growth
Joint & Survivor Pension Recurring from 2031 through 2048	Joint assets & liabilities	\$36,000
Household Expenses Recurring from 2026 through 2048	Joint assets & liabilities	\$240,000 2.40% growth

Life Expectancy (2043 & 2048) Default growth

Summary

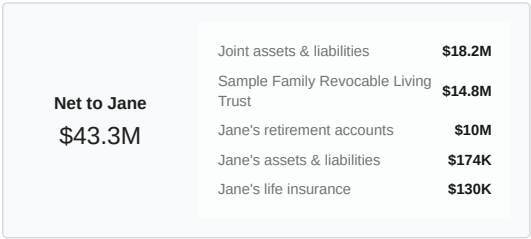
■ In estate ■ Out of estate (family) ■ Out of estate (charity) ■ Gift & estate tax ■ Life insurance death benefit



Before Thomas's death (2043)



After Thomas's death (2043)

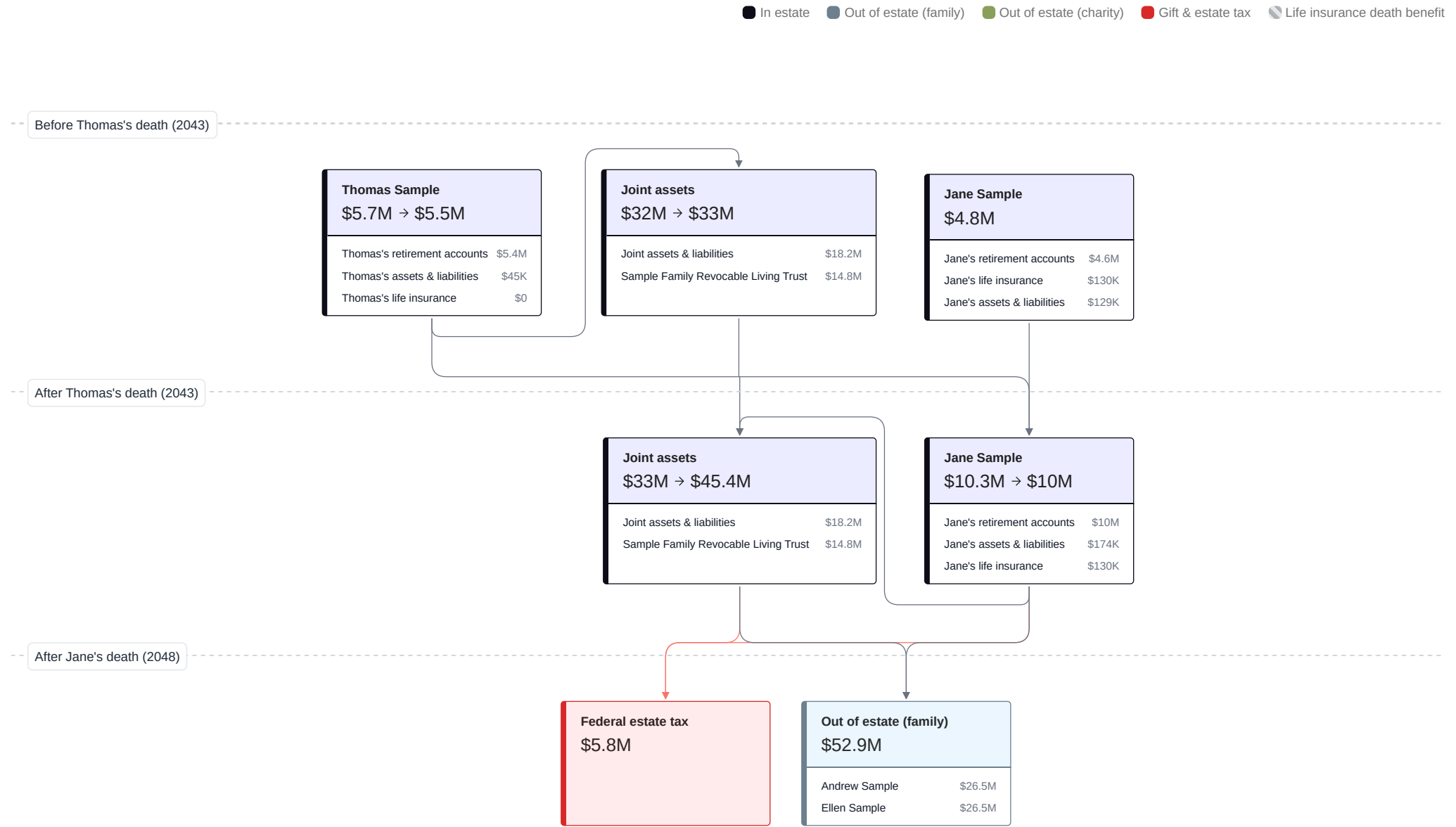


After Jane's death (2048)



Life Expectancy (2043 & 2048) Default growth

Diagram



Life Expectancy (2043 & 2048) Default growth

Tax overview

Before Thomas's death (2043)	Today	2043
Assets in estate		
In estate of Thomas & Jane Sample	\$10,740,000	\$43,294,882
Total in estate	\$10,740,000	\$43,294,882
Net assets		
In estate of Thomas & Jane Sample	\$10,740,000	\$43,294,882
Out of estate fbo family	\$0	\$0
Out of estate fbo charity	\$0	\$0
Total net assets	\$10,740,000	\$43,294,882
Remaining exemption		
Lifetime exemption	\$30,000,000	\$42,000,000

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Life Expectancy (2043 & 2048) Default growth

Tax overview

After Thomas's death (2043)	2043
Taxes and expenses	
Federal estate tax	\$0
Total taxes and expenses	\$0
After tax distributions	
Marital transfers	\$5,468,244
Transfers to family	\$0
Transfers to charity	\$0
Total after tax distributions	\$5,468,244
Net assets	
In estate of Jane Sample	\$43,294,882
Out of estate fbo family	\$0

Continued on next page

Life Expectancy (2043 & 2048) Default growth

Tax overview

After Thomas's death (2043)	2043
Net assets (cont.)	
Out of estate fbo charity	\$0
Total net assets	\$43,294,882
Remaining exemption	
Remaining exemption	\$21,000,000

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Life Expectancy (2043 & 2048) Default growth

Tax overview

After Jane's death (2048)	2048
Taxes and expenses	
Federal estate tax	(\$5,841,560)
Total taxes and expenses	(\$5,841,560)
After tax distributions	
Transfers to family	\$52,942,340
Transfers to charity	\$0
Total after tax distributions	\$52,942,340
Net assets	
Out of estate fbo family	\$52,942,340
Out of estate fbo charity	\$0
Total net assets	\$52,942,340

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Life Expectancy (2043 & 2048) Default growth

Tax overview

After Jane's death (2048)	2048
Remaining exemption	
Remaining exemption	\$44,180,000

- ✔ **Will**
A legal document that outlines how your assets should be distributed after your death and names an executor to handle your estate. Can appoint guardians for minor children, if applicable.
- ✔ **Trust**
A legal arrangement in which one party (the trustee) holds and manages assets on behalf of another (the beneficiary), according to the terms set by the person who created the trust (the grantor). Trusts can be used during your lifetime and/or after your death.
- ✔ **Revocable living trust**
A flexible trust that can be modified or canceled during life. Allows assets to pass to beneficiaries without going through probate and provides more privacy than a will. Can manage assets during your lifetime if you become incapacitated.
- ✔ **Irrevocable trust**
A trust that generally cannot be changed or revoked once established. Often used to reduce estate taxes, protect assets, or control how assets are used over time.
- ✔ **Executor**
The person named in your will who is responsible for carrying out its instructions and managing your estate through probate.
- ✔ **Trustee**
The individual or institution responsible for managing and distributing the assets held in a trust.
- ✔ **Guardianship designations (if applicable)**
If you have minor children, this document appoints a guardian to care for them if you pass away or become incapacitated.

- ✔ **Healthcare power of attorney (medical POA / healthcare proxy)**
A document that names someone to make medical decisions on your behalf if you're unable to.
- ✔ **Living will (advanced healthcare directive)**
A document that outlines your medical treatment preferences in case you become terminally ill or incapacitated. Addresses life-sustaining treatments and end-of-life care.
- ✔ **Durable power of attorney (POA)**
A document that grants someone authority to handle your financial and legal matters if you become incapacitated.
- ✔ **Limited power of attorney (limited POA)**
A power of attorney that grants someone authority to act on your behalf for a specific purpose or limited time, such as signing a document while you're out of town.
- ✔ **Beneficiary designation**
A form used to name who receives specific assets — like retirement accounts or life insurance — outside of your will. Beneficiary designations override wills, so it is important to keep them current.
- ✔ **Probate**
The legal process of validating a will and distributing a deceased person's assets under court supervision.

 Marriage or divorce

- Update beneficiary designations (retirement accounts, insurance, POD/TOD accounts)
- Revise will and trust(s) to reflect new spouse or remove ex-spouse
- Update powers of attorney and healthcare directives

 Birth or adoption of a child

- Add guardianship provisions to will
- Create or update trust(s) for minors
- Review life insurance coverage

 Incapacity or death of a beneficiary or fiduciary

- Replace unavailable, incapacitated, or deceased executors, trustees, or guardians
- Adjust distribution provisions for remaining beneficiaries

 Significant change in wealth

- If assets increase, review estate tax exposure and gifting strategies
- If assets decrease, simplify your plan or reduce unnecessary structures

 Business formation, sale or closure

- Update ownership records in estate plan
- Adjust succession planning documents
- Review buy-sell agreements

 Relocation to a new state or country

- Review plan for compliance with new jurisdiction's laws
- Update healthcare and financial directives to meet local requirements

 Changes in laws or tax regulation

- Adjust plan to align with changing exemptions and minimize exposure to new taxes

 Retirement

- Revisit income needs and distribution strategies
- Adjust beneficiary designations for retirement accounts

Estate taxes are taxes imposed on the transfer of wealth from a deceased person's estate to their heirs or beneficiaries. The tax applies to the total value of the estate, which includes assets like property, cash, investments, and other valuables, before it is distributed. Gift taxes are imposed on the transfer of wealth *during life*.

Taxes your estate may be subject to

Federal estate tax

The federal estate tax is a tax on the transfer of wealth upon an individual's death. Currently, the federal estate tax has a top rate of 40%. However, this tax applies on the value of your estate above the lifetime exemption threshold.

Generation-skipping transfer (GST) tax

The generation-skipping transfer (GST) tax is designed to place a limit on the amount that can be passed to persons two or more generations below the donor without incurring taxes. If the donor and recipient are related, the GST tax applies if the recipient is more than one generation below the donor. If they are unrelated, the GST tax applies to any recipients who are at least 37.5 years younger than the donor. GST tax is imposed at a rate of 40% on assets above the exemption.

State gift, estate & inheritance tax

Some states impose their own gift, estate and inheritance tax, of which the rules, exemption amounts and tax rates vary widely from state to state. State gift, estate and inheritance taxes are deductible from federal estate taxes.

...and exemptions that can reduce what is taxable

Lifetime gift/estate tax exemption

Lifetime estate tax exemption is the amount an individual can transfer during their lifetime and/or upon death without incurring gift or estate tax. As of 2026, this exemption is \$15M per individual.

Annual gift exclusion

The annual gift exclusion allows individuals to gift up to a certain amount annually without incurring gift tax. The annual gift exclusion for 2026 is \$19,000 per recipient.

Medical and tuition payment exclusion

Medical and tuition exclusions allow individuals to pay unlimited amounts for another's qualified medical expenses or tuition costs without those payments being subject to gift tax, as long as they are made directly to the healthcare provider or educational institution.

Marital deduction and portability

The marital deduction allows an individual to transfer unlimited assets to their spouse during life or after death without incurring gift or estate tax. Portability allows a surviving spouse to use any unused portion of the deceased spouse's estate tax exemption during life and/or at death. Portability does not apply to GST or state estate tax.

GST exemption

Each individual has a separate lifetime GST exemption, which is \$15M per individual as of 2026. This exemption allows individuals to transfer up to the exemption amount in GST-exempt gifts during their lifetime and/or at death without incurring GST tax.

What is an ILIT?

An Irrevocable Life Insurance Trust (ILIT) is a trust that is created to own a life insurance policy, and is often used as a way of moving the life insurance policy outside of the insured person's estate for estate tax purposes. The ILIT will own the life insurance policy and be the beneficiary of the policy's death benefit. **ILITs can help reduce estate taxes, provide liquidity to pay estate expenses, and ensure that beneficiaries receive the intended financial support.** Once an ILIT is set up, the grantor cannot change or terminate it.

Potential benefits

- ✔ **Estate tax reduction**
By removing the life insurance policy from the estate, the death benefit isn't included in the taxable estate, which can significantly reduce future estate tax liability.
- ✔ **Creditor protection**
Life insurance held in an ILIT can be shielded from creditors, ensuring that beneficiaries receive the intended benefits.
- ✔ **Control over policy and proceeds**
The grantor can set specific terms within the ILIT on how the policy proceeds should be distributed, thus retaining control over the use of the death benefit and ensuring long-term financial support of beneficiaries.
- ✔ **Enhanced liquidity**
An ILIT provides tax-free life insurance proceeds that can be used to cover estate taxes, debts, and other expenses, preventing the forced sale of estate assets. If the grantor holds mostly illiquid assets, an ILIT can be a good planning tool.

Potential drawbacks

- ⚠ **Irrevocability**
Once the ILIT is established, the grantor cannot make changes or dissolve the trust. This lack of flexibility can be limiting if circumstances change.
- ⚠ **Loss of access**
The grantor cannot access or benefit from the life insurance policy once it is transferred into the ILIT, which can be a significant drawback if personal financial circumstances change.
- ⚠ **3-year lookback rule**
If the grantor dies within three years of transferring an existing life insurance policy to the ILIT, the policy's death benefit is included in the grantor's taxable estate.
- ⚠ **Complexity & costs**
Creating and maintaining an ILIT involves legal and administrative expenses, and the structure may require ongoing professional management.

Continued on next page

Is an ILIT right for me?

✓ Estate size

If your estate exceeds or is close to the federal estate tax exemption, an ILIT can provide significant tax benefits.

✓ Financial situation

Since an ILIT is irrevocable, you must be certain you won't need future access to the assets placed in the trust.

✓ Gift tax considerations

Transferring existing life insurance policies to an ILIT can trigger gift taxes. Additionally, premiums paid for a policy owned by an ILIT might be considered taxable gifts to the trust beneficiaries.

✓ Family dynamics

ILITs can help manage the distribution of your estate, accommodating complex family situations or beneficiaries who may need financial oversight.

✓ Professional guidance

Consulting with estate planning professionals, including attorneys and financial advisors, is essential to evaluate whether an ILIT aligns with your overall financial strategy.

How an ILIT works

