NOW is the time to talk with ALL clients about the importance of estate planning. It's a perfect storm that can either be "waited out", to a client's potential detriment, or acted upon. You should ACT because if you're not helping clients prepare, who is?

1. Rising Inflation

Given the current environment, it's likely inflation is also on the mind of clients.

Inflation: In 2022, inflation was a staggering **6.5% - the highest the country has seen in 40 years!** Inflation creates a "hidden tax" effect and a client's purchasing power will suffer.

Purchasing power effect: With inflation at 3.5%, purchasing power will be reduced by 51% in 20 years (in other words, **your dollar today will be worth 49 cents in 2042**). Retirees, widows, and widowers will suffer most.

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Health Care: Health care costs have been rising at a rate of nearly 5% for the past 40 years.

Longevity: The longer a client lives, the more damaging inflation will be. The death of a spouse may cause the surviving spouse to experience the **"widow(er)'s penalty"** - the likelihood that the surviving spouse will experience higher taxes, higher health care costs, and a reduction in purchasing power caused by inflation.

1. Life insurance strategies to help in this environment:

- Death benefit protection for the surviving spouse
- Rider for long-term care or chronic illness
- Leverage cash value life insurance to provide supplemental retirement income

2. Shifting Interest Rates

Changing interest rates affect estate planning. Some strategies are more effective in environments with higher interest rates, while others are more effective with lower interest rates.

- Section 7520 and applicable federal rates (AFR) provide opportunities for tax-efficient wealth transfer
- For certain strategies to succeed, investments need higher returns than interest rates
- Lending strategies can be more advantageous in a lower interest rate environment

Coupled with high federal estate tax exemption amounts, certain strategies have the ability to transfer wealth while incurring minimal or possibly no gift taxes.

2. Life insurance strategies to help in this environment:

- Grantor-retained annuity trust (GRAT)
- Intrafamily loans
- Asset sale to an intentionally defective grantor trust
- Charitable trust strategies

3. Lower Tax Rates

Now is an opportune time to plan while the federal estate exemptions are still high and income tax brackets are lower. As planned today, **the Tax Cuts and Jobs Act will "sunset" in 2026**, changing:

- The top marginal income tax rate **reverts to 39.6%** at lower income thresholds.
- The estate and gift tax exemption amount **reverts to $5 million** (indexed).

This could happen sooner than 2026, should legislation be passed.

3. Life insurance strategies to help in this environment:

- Flexible trust strategies
- Tax diversification with life insurance
- Leveraged gifting

4. Uncertain Legislative Environment

With Congress divided as a result of the 2022 mid-term election, major tax legislation may be unlikely in the near future. This may result in the sunsetting of the Tax Cuts and Jobs act in 2026. Past proposals give us insight into potential changes lawmakers could propose again in another bill. **What could happenin the future? What could be taken away? How can you help clients prepare now?**

Actionable Punch List	2021 Legislative Proposals	Opportunities for Clients to Consider Now
Federal Estate Tax Exemption	Decrease to between \$3.5M- \$5M	Use higher exemption available during life
Federal Gift Tax Exemption	Decrease to between \$1M- \$5M	Use higher exemption available during life
Estate Tax, Gift Tax, and GST*	Increase estate tax, gift tax, and GST rates to a high of 65%	Make gifts now so they are removed from a taxable estate
Grantor Trusts	Assets to be included in grantor's taxable estate	Create and fund various irrevocable trusts such as ILITs, SLATs*, and charitable trusts
Dynasty Trusts	Impose a maximum duration	Incorporate dynasty trusts into generational planning
Valuation Discounts	No discount for "nonbusiness" assets	Leverage discounting abilities

Looking for a way to start the conversation?

Introduce clients to the three places their assets can go at their death:

- Their heirs
- Charity
- Taxes

When given the choice, how many clients would choose taxes?

Talk about estate planning strategies that can make sure their legacy passes as they wish.

Next Steps to Start Conversations with Clients:

Protection related to a client

- Power of Attorney
- Health Care Directives
- Chronic Illness Plan

Tax reduction strategies for considerations

- Gifting
- Discounts
- Trusts including: ILITs, SLATs, IDGTs*, Dynasty
- Charitable Planning

Protection related to a client's legacy

- Wills
- Revocable Living Trusts
- Business Succession Plan

Implement the plan with the client & their advisors

- Client to sign documents
- Family meeting to explain their wealth and legacy goals
- Periodic review of plans with advisors

Turn this "Perfect Storm" into a **perfect opportunity for a more secure future for the clients you work with.** Navigate the storm with confidence, relying on DBS.

Your DBS team has

- Experienced Advanced Planning attorney
- Underwriting team who advocates your most difficult cases
- Increased ability to issue large face amounts for wealthier clients and large cases

**GST = Generational- Skipping Transfer Trust, ILIT = Irrevocable Life Insurance Trust, SLAT = Spousal Lifetime Access Trust, IDGT = Intentially Defective Grantor Trust*

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