

Wealth transition planning for 2021 and beyond



The change in Congress could impact wealth transition planning

On January 7, 2021, Congress certified the Electoral College votes, confirming President Joe Biden's victory. Shortly before that, Democrats gained control of the Senate as a result of two runoff elections in Georgia. These developments present the possibility of tax legislation that could impact your wealth transition planning. Given the potential for significant change, it is important to consider planning actions to achieve your goals and preserve family wealth in the most efficient way possible.

Possible transfer tax implications

- ▶ **Elimination of income tax-free stepped-up tax basis at death:** possible carryover basis regime or deemed sale of appreciated assets at death
- ▶ **Reduction of estate and gift tax exemptions:** return of exemptions (e.g., \$5m, \$3.5m) and rates (e.g., 55%) to pre-Tax Cuts and Jobs Act levels



Wealth transition planning

Whether any legislation the new Congress enacts would apply retroactively to the beginning of the 117th Congress in January 2021 is not known at this time. Amid this uncertainty, it is advisable to speak with your tax professionals to best assess your situation and the planning opportunities that may be considered at this time.

How can Ernst & Young LLP support your wealth transition needs?

We have the global experience, knowledge and extensive network to support clients and their unique wealth transition needs. We are the global market leader in family business, advising 80% of the world's top 500 largest family businesses. Our private client services practice has a national team and network of more than 100 professionals dedicated to wealth transition planning with in-depth tax technical knowledge and a wealth of experience serving as executives in family businesses and family offices, as well as insurance professionals, attorneys and investment advisors.

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Closely held business owners	Real estate investors	Hedge and PE fund principals	Families with liquid investments	US families living abroad	Non-US families with US assets	Younger generation family members
(e.g., gift of % shares)	(e.g., gift of real estate partnerships or LLC interests)	(e.g., gift of fund carried interest – “vertical slice” or “non-vertical”)	(e.g., gift of marketable securities or investment FLP interests)	(e.g., gift of Various assets, US or non-US)	(e.g., gift of US assets, like real estate or funds)	(e.g., funding NextGen gifting program)

Transfer tax options for immediate consideration

- ▶ Evaluate whether to make current gifts and whether the doubling of the estate, gift and GST tax exemptions amounts under the Tax Cuts and Jobs Act will continue to be available
- ▶ Historically low interest rates and low asset values present opportunities to implement tax-efficient wealth transfer planning
- ▶ Implement common estate planning techniques (e.g., sales to grantor trusts, grantor retained annuity trusts, dynasty trusts, charitable lead trusts and spousal limited access trusts) to reduce your current estate

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