Why the Quietly Wealthy Still Need a SLAT

Many affluent families look at today's estate tax exemption and conclude they have nothing to worry about. The federal exemption sits at roughly $15 million per person and $30 million for a married couple. A couple worth $25 million often assumes they are comfortably below the line, and the conversation about estate planning ends there. They are missing several important points.

Start with growth. A $25 million estate compounding at 8 percent over 20 years becomes roughly $116 million. The estate you have today is not the estate your heirs will inherit. The number that matters is the one at the end of your life, not the one on your balance sheet right now. Exemptions also change. The current level reflects current law and the political balance in Washington. A different Congress could cut the exemption substantially, and history shows it has moved in both directions many times. Families who plan only for today's rules are betting that nothing changes over the next 30 years. That is a poor bet.

This is where a Spousal Lifetime Access Trust earns its place. Assets gifted to a SLAT leave your taxable estate immediately. Every dollar of future appreciation grows outside the estate, immune from estate taxes regardless of where exemptions land in the future. The spouse remains a permissible beneficiary and can receive income or principal if ever needed, which removes the fear that funding the trust means losing access to the money. Trust assets are also protected from creditors, lawsuits, and divorce claims against the children.

The real power comes from using the unified credit. A married couple can gift up to $30 million today and owe zero gift tax because the gift is applied against the lifetime exemption. Once those assets are inside the SLAT, all future appreciation belongs to the trust rather than the estate. If the assets double or triple over the next two decades, that growth passes to the next generation completely free of estate tax. You lock in today's exemption at its historically high level and move tens of millions of dollars of future appreciation out of the taxable estate without writing a check to the IRS.

Families not ready to fund a large SLAT should at least be using the annual gift tax exclusion. A married couple can give $38,000 per child per year with no impact on the lifetime exemption. Invested at 8 percent inside a trust, each child receives roughly $1.74 million after 20 years. Three children, and the family has moved more than $5.2 million out of the taxable estate using nothing but the annual exclusion.

And every annual exclusion you fail to use this year is gone forever. The IRS does not let you save them up.

Have you heard about our Vision Quest Process? Watch the video below to learn more!

We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
Keith Singer

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