Asset Strategy

Helping You Create, Manage, Protect, & Distribute Wealth®

THE FAMILY LEGACY GUIDE

Estate Planning for the Life You've Built

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A Message From Asset Strategy's Managing Director

Kent Fitzpatrick

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Managing Director

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Estate planning is one of the most personal conversations I have with clients.

It is rarely just about numbers. It is about what you have built, what you value, and who you want to benefit from your life's work.

At Asset Strategy, we take an integrated approach to this work. Because we provide wealth management, tax strategy, and retirement consulting under one roof, we can think about your estate plan as a complete system rather than a collection of separate documents. Every decision we help you make connects to your investment portfolio, your tax picture, and your long-term income plan.

We have also built something that most advisory firms do *not* offer: a dedicated Tax Strategist on your team. This is not the same as your CPA, whose job is to prepare and file your returns. Your Tax Strategist works proactively to structure your estate in ways that minimize taxes before they happen, coordinating with your estate attorney to ensure every tool available to you is considered.

This guide walks through the full arc of legacy planning, from clarifying what you want your legacy to be, to the specific tools available to you, to how we build the right team around your goals.

We hope it is a useful starting point for a conversation we look forward to having with you.

- Kent

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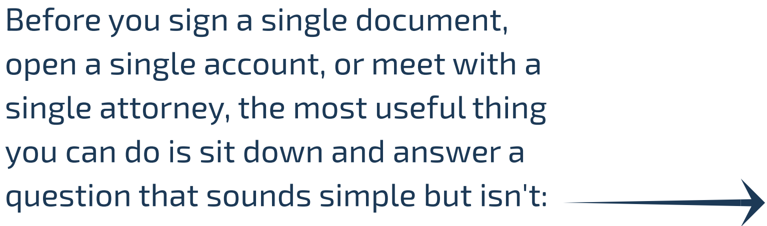
Chapter I
Purpose

Start With the "Why"

Before you sign a single document, open a single account, or meet with a single attorney, the most useful thing you can do is sit down and answer a question that sounds simple but isn't:



What do you want your money to do when you are no longer here to direct it?

This question has almost nothing to do with trusts or tax codes. It has to do with **values**, **relationships**, and the kind of **imprint you want to leave on the people and places that matter to you**. Everything else in this guide, every strategy, every tool, every form, serves that answer.

Your Legacy Is Already Being Built

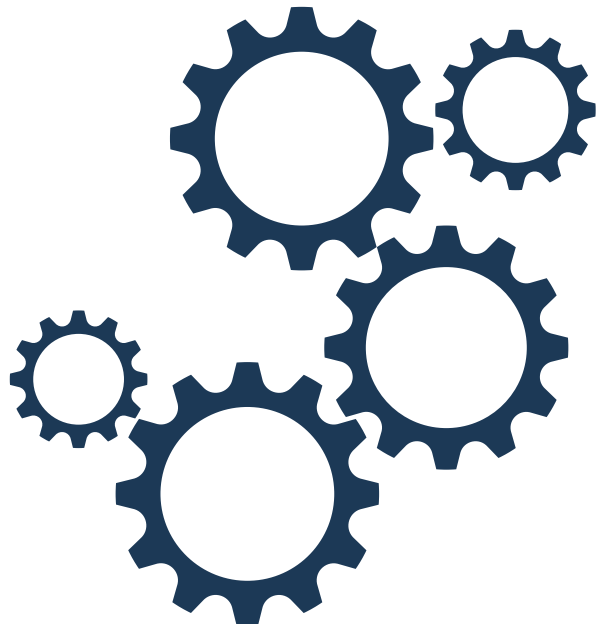
Here is something people rarely talk about:

- **You are already leaving a legacy**

Every decision you have made about how to earn, save, give, and spend is quietly teaching the next generation what money is for.

An estate plan does not create a legacy. It protects and clarifies the one you have already been building.

So the first exercise is not financial. It is reflective. A few honest answers here can save your family years of guessing later.



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The Four Questions Worth Sitting With

Rather than handing you a checklist of thirty items, we'd rather you sit with four questions.

The rest of this guide flows from how you answer them.

1	**Who do you want to take care of?** Spouse. Children. Grandchildren. A sibling who needs help. A niece who is about to start college. A parent aging in place. A friend who became family. A cause that feels like family. Write them down. Not as beneficiaries yet. Just as people and places you care about.
2	**What do you want them to receive, and when?** The difference between a gift that helps someone and a gift that harms them often comes down to timing and structure. Twenty thousand dollars at age 25 can be a first down payment. The same twenty thousand at 19 can be a lost year. Think in terms of stages of life, not just dollar amounts.
3	**What values do you want to travel with the money?** A dollar can be a reward, a responsibility, or a trap, depending on the story told around it. If you want your wealth to represent hard work, generosity, or a specific kind of family tradition, those values need to be part of the plan. Silent money tends to get misread.
4	**What happens if the plan has to run without you?** Every good estate plan imagines the worst-case scenario and keeps running. Who makes medical decisions if you can't? Who manages the finances if you are incapacitated? Who raises your children if both parents are gone? These answers don't get easier with time. They get easier with planning.

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A Simple Exercise

Find a quiet hour. Write, in your own words, a one-paragraph answer to this prompt:

> *"When my family looks back on what I left behind,*
> *I want them to feel ______________________________ ,*
> *know ____ ,*
> *and be able to ___________________________________ ."*

- This paragraph is not a legal document.
- It will not be read at a probate hearing.
- But it will quietly guide every decision in the rest of this guide.
- Bring it with you when you meet with an estate attorney.
- Read it out loud to your spouse.
- Share it with your adult children when the time is right.
- Purpose makes the rest of this work easier.

If you skip this step, then every tool in the rest of this guide will become a little harder to choose between.

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The Six Milestones of a Legacy Plan

Every family's plan looks a little different, but most good ones pass through the same six milestones, sometimes in this order, sometimes not:

This guide walks through each one. But the order matters less than the fact that you finish all six.

Define

what the legacy is for

Inventory

what you actually own

Map

the taxes that may apply

Choose

the tools that fit your situation

Involve

the family in the right way at the right time

Build

the professional team that keeps it all on track

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Chapter II

Inventory

What You Own, and How It Passes On

Once you know what you want your wealth to do, the next step is to take a clear-eyed look at what you actually have.

This is the part of estate planning that most people either rush through or skip entirely. That is a mistake, because the kind of asset you own often determines how it passes on, who pays the tax on it, and how much friction your family experiences in the process. Not all assets behave the same way at death... Some transfer in seconds. Some take months. Some trigger tax bills. Some unlock tax breaks. **The sooner you understand the categories, the easier the rest of the plan gets.**

Liquid vs. Illiquid: The First Sort

Every asset you own falls into one of two buckets.

Liquid Assets

Things you can convert to cash quickly without losing much value.

These are the easiest assets to divide among heirs. You sell, you split, you distribute.

• **Checking & Savings Accounts**	• **Public Stocks**	• **Bonds**
• **Mutual Funds**	• **Money Market Accounts**	• **CDs**

Illiquid Assets

Everything else that takes longer to sell, or convert into cash.

These assets carry more value than cash in many cases, but they also carry more complications. They have to be appraised, sometimes sold, sometimes divided, and almost always paperworked.

• **Real Estate**	• **Family business**
• **Vacation home**	• **Commercial Property**
• **Art**	• **Collectibles**
• **Equipment**	• **Farmland**
• **Mineral rights**	• **Private stock**

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Why Real Estate Deserves Extra Attention

For most American families, real estate is the single largest piece of the estate. A primary residence, a rental property, a vacation home, a commercial building. Any one of these can quickly become the defining feature of a plan. **That matters for four reasons**.

1) Real Estate is Illiquid.

You cannot cut a building into three equal pieces. Your heirs will either need to sell, buy each other out, or co-own the property, each of which has costs and tensions attached.

2) Real Estate Triggers Estate Tax & Capital Gains Tax Questions.

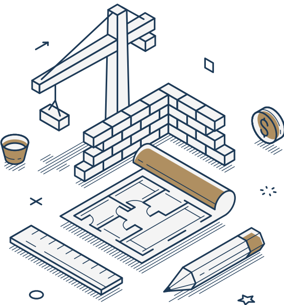
A property that has grown substantially in value over decades can carry a large built-in capital gain. Depending on whether your heirs inherit the property or receive it as a lifetime gift, the tax treatment is dramatically different.

3) Real Estate Owned in Multiple States Can Trigger Multiple Sets of Rules.

Some states have their own estate or inheritance taxes, and property located in one of those states may be taxable there even if you live elsewhere. A plan that treats all real estate as one category often misses these cross-border issues.

4) Real Estate Can Create a Liquidity Problem at Death.

Federal estate tax is due nine months after death, in cash. Estates heavily concentrated in real estate may lack liquidity and face forced sales. Families often use life insurance in an ILIT to provide cash for taxes and keep property in the family.



For families whose wealth is concentrated in real estate, specialized strategies exist: **1031 Exchanges** during life, **Delaware Statutory Trusts** for passive ownership, **Charitable Remainder Trusts** for appreciated property, and **Qualified Personal Residence Trusts** for primary homes. What matters for now is recognizing that real estate is rarely the simplest part of a plan, and the assumption that "*the house goes to the kids*" is not a plan.

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Titled Property vs. Untitled Property vs. Digital Assets

Beyond liquid and illiquid, there is another sort that shapes how your assets transfer. Some of your property is formally titled in your name with a public record of ownership. Other property is not.

Titled Property

These assets are registered with a government agency or financial institution. The title determines who owns the asset and, in many cases, how it transfers at death. Titling is one of the most overlooked and most powerful tools in estate planning. A property titled "joint tenants with right of survivorship" passes automatically to the co-owner. A property titled in a trust bypasses probate. A property titled in your name alone goes through probate.

- ***Real Estate***
- ***Vehicles***
- ***Boats***
- ***Aircrafts***
- ***Financial Accounts***

Untitled Property

These assets are not registered with any formal system of ownership. There is no government registry for your grandmother's ring or your father's watch. These items pass through your will or, more often, through informal family agreements. Clear written instructions prevent a surprising amount of family conflict and help ensure your wishes are followed during the distribution process. Keeping a list can clarify intentions and reduce confusion among heirs.

- ***Furniture***
- ***Jewelry***
- ***Artwork***
- ***Collectibles***
- ***Personal Effects***

Digital Assets

Many assets now exist online and can be lost at death without access. A modern estate plan should include a secure list of accounts and logins, with someone authorized to access them.

- ***Online banking or brokerage accounts***
- ***Cryptocurrency wallets***
- ***Email accounts***
- ***Cloud storage***
- ***Social media profiles***

A Useful Rule of Thumb: for every titled asset you own, your estate plan should include a clear line of instruction about how the title moves at your death. For untitled items of meaningful value or sentiment, a written memorandum referenced by your will can save your family from the hardest kind of fight, the one over things that never had price tags.

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The Entity Question

For business owners and real estate investors, the conversation gets one layer deeper.

Many assets are not owned directly. They are owned inside entities: limited liability companies (LLCs), family limited partnerships (FLPs), S-corporations, C-corporations, trusts, and more. Each entity has its own rules about transferring ownership, its own governing documents, and sometimes its own tax treatment. A well-drafted operating agreement will spell out what happens to a partner's interest if they pass away. A poorly drafted one can leave heirs in a legal standoff with surviving partners.

If you own interests in any kind of business entity, pull out the operating agreement, partnership agreement, or shareholder agreement and read the sections on death and transfer. If those sections don't exist or are vague, that is your first estate planning project.

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Your Asset Inventory Starter

Before meeting with any professional, try to produce a one-page document that lists, in four columns:

1)	2)	3)	4)
The Asset You Are Talking About	**The Approximate Value of the Asset**	**How It Is Titled *(Or Owned)***	**Who Is Currently Named as Beneficiary, if Any**

Most families have never produced this document. Producing it is often the first time they see their estate as a complete picture. Once the picture exists, every decision in the rest of this guide becomes sharper.

The "Equal Is Not Always Fair" Problem

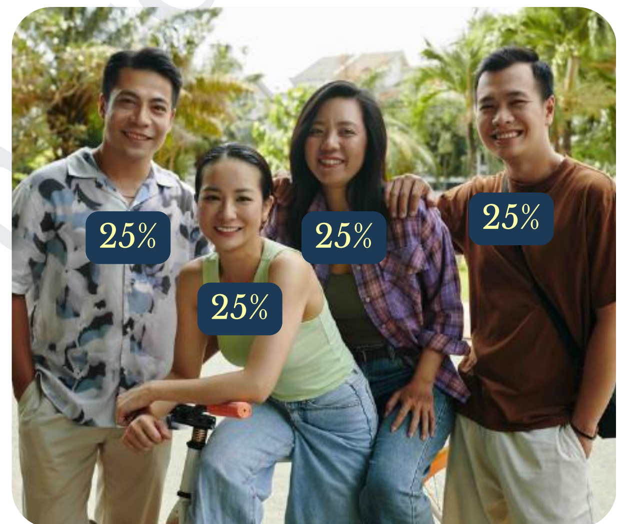
A common instinct is to split everything evenly among children. It feels neutral. It feels safe. It avoids hard conversations.

But "*equal*" and "*fair*" are not always the same word.

Consider a family with four adult children.

This is an example, and in no particular order from the picture, but imagine the following:

- One has spent the last five years moving home to help care for an aging parent.
- One holds a great job but has been in and out of a rehabilitation facility.
- One lives across the country and visits twice a year.
- One has already received substantial financial help for business ventures over the last decade.



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An even four-way split may feel clean on paper, and it may be the right answer. But it also ignores the actual history of the family.

Some parents choose to rebalance for the caregiver. Some weigh gifts already received against the final distribution. Some prefer strict equality to avoid any appearance of favoritism.

There is no single right answer.

What matters is that the choice is **intentional**, **documented**, and, ideally, **communicated** before your death so the family hears it from you and not from a document.

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Chapter III

Documents

The Documents That Do the Work

Every complete estate plan involves some combination of the documents below. You do not necessarily need all of them. You almost certainly need more than one of them.

The Will - *The Foundation, But Not the Finish Line*

A will is probably the document you have heard of most. It's the written instruction set for how your property should be distributed, who should execute your wishes (your "executor"), and, critically, who should serve as guardian for any minor children. A will is foundational. But it is not a complete estate plan. Two important limits:

- **A Will Does Not Avoid Probate**. When you die with a will, your estate still goes through probate, a court-supervised process where the will is validated, debts are paid, and assets are distributed. Probate can take months, costs money, and is a matter of public record.

- **A Will Does Not Override Beneficiary Designations**: If your IRA names your ex-spouse as beneficiary, and your will names your current spouse, the IRA goes to the ex. Beneficiary designations on retirement accounts, life insurance policies, and certain other accounts trump what your will says. Always.

Beneficiary Designations - *The Silent Transfer*

Many of your most valuable assets, like retirement accounts, life insurance, annuities, and transfer-on-death accounts, pass directly to named beneficiaries outside your will and avoid probate. This is powerful but also a common source of mistakes. A few rules:

- **Review Beneficiary Designations After Every Major Life Event**: Marriage, divorce, death, birth, remarriage
- **Name Both Primary and Contingent Beneficiaries**
- **Avoid Naming Minors Directly**: Consider a trust instead
- **Don't Name "My Estate" as Beneficiary**: Unless you have a specific reason, it generally adds complication
- **Understand the 10-Year Rule for Inherited IRAs**: Most non-spouse beneficiaries must withdraw inherited IRA or 401(k) balances within ten years, potentially pushing income into high-earning years. Coordinate timing and beneficiary design with your tax strategist.

Checking every beneficiary form on every account is not glamorous work, but it may be the single most impactful hour you spend on your estate plan.

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Trusts - *The Flexible Middle Ground*

A trust is a legal arrangement where one party (the trustee) holds and manages property for the benefit of another party (the beneficiary). You can create a trust during your lifetime and transfer assets into it, or you can create one through your will that takes effect at your death.

Trusts are used for a wide range of reasons: avoiding probate, protecting privacy, managing assets for minors or beneficiaries with special needs, minimizing estate tax, controlling when and how money is distributed, and more. **There are two broad categories**:

Revocable Trusts

A revocable trust (sometimes called a "living trust") can be changed, amended, or dissolved during your lifetime. You retain control. Assets in a revocable trust avoid probate, but they remain part of your taxable estate. This is the most common type of trust used in modern estate planning, and for most families, it is the backbone of the plan.

Irrevocable Trusts

These generally cannot be changed once they are created. You give up control of the assets transferred into it. In exchange, those assets are usually no longer counted as part of your taxable estate. Irrevocable trusts are used when tax savings, asset protection, or specific long-term purposes justify the loss of flexibility. **Here are a few Irrevocable Trusts worth knowing**:

Trust	Description
Credit Shelter Trust (Bypass Trust)	• Used by married couples to preserve both estate tax exemptions.
Irrevocable Life Insurance Trust (ILIT)	• Holds life insurance so proceeds stay outside your taxable estate.
Qualified Personal Residence Trust (QPRT)	• Transfers your home at a reduced gift value while you retain use for a set term.
Charitable Remainder Trust (CRT)	• Provides income for a period, then passes remaining assets to charity.
Grantor Retained Annuity Trust (GRAT)	• Pays a fixed annuity; remaining appreciation passes to heirs tax-efficiently.
Spousal Lifetime Access Trust (SLAT)	• One spouse gifts assets to a trust benefiting the other, removing them from the estate.
Generation-Skipping Trust	• Transfers assets to grandchildren, reducing taxes across generations.

Which type of Trust that belongs in your plan depends on your estate, assets, family, and goals. Most families will not need many of these, but those who do often need them urgently.

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Powers of Attorney - *The Documents for When You Are Still Here*

Estate planning is not only about what happens after you die. It is also about what happens if you are alive but cannot make decisions for yourself.

Injury, illness, and cognitive decline... all of these can leave a person legally unable to handle their own affairs. Without the right documents in place, your family may need to go to court to gain the authority to help you. A power of attorney gives a trusted person legal authority to act on your behalf. There are several flavors:

- **General Power of Attorney**
  - Authorizes broad financial and legal decisions
- **Limited Power of Attorney**
  - Authorizes specific decisions or a specific time window
- **Durable Power of Attorney**
  - Remains in effect even if you become incapacitated
- **Non-Durable Power of Attorney**
  - Ends if you become incapacitated
- **Springing Power of Attorney**
  - Only activates after a specified event, like a physician's determination of incapacity

For most families, a durable power of attorney is the cornerstone. It ensures there is someone authorized to pay your bills, manage your accounts, and handle financial decisions if you cannot.

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Healthcare Documents - *The Ones People Forget*

If the financial power of attorney handles the money, a healthcare power of attorney (sometimes called a healthcare proxy) handles the medicine. This document names the person authorized to make medical decisions on your behalf if you are unable to communicate them.

A related document, the living will (or advance healthcare directive), lays out your preferences about end-of-life care, life support, pain management, and similar decisions. It is a guide to the person making decisions on your behalf.

These documents are often the hardest to sign because they force you to imagine scenarios you'd rather not. But they may be the documents that matter most in a crisis. Roughly one in four households with an older family member will deal with a dementia diagnosis.[1.]

A clear healthcare proxy and living will can be the difference between a family that knows what to do and a family frozen in disagreement at a hospital bedside.

[1.] https://src.isr.umich.edu/news-events/news/dementias-broad-reach-1-in-4-families-of-older-adults-at-risk-for-providing-care/ as of 4.30.2025

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Quick Vocabulary Check!

These words show up often in estate planning. We alphabetized a list with their simple translation.

Term	Definition
Advance Directive	Legal document outlining healthcare decisions if you cannot communicate
Administrator	Person appointed by a court to manage an estate when no executor is named
Beneficiary	Person or organization who receives assets from a will, trust, or account
Estate	Everything you own at death, including assets and liabilities
Executor	Person named in a will to manage and settle the estate
Fiduciary	Person legally required to act in someone else's best interest
Grantor (or Settlor)	Person who creates and funds a trust
Guardian	Person appointed to care for minor children
Heir	Person entitled to inherit under state law if there is no will
Incapacity	Inability to manage your financial or medical affairs
Intestate	Dying without a will, state law determines distribution
Irrevocable Trust	Trust that generally cannot be changed once created
Living Trust	Another term for a revocable trust created during your lifetime
Living Will	Document outlining medical care preferences if you are incapacitated
Per Stirpes	Distribution method passing a deceased beneficiary's share to their descendants
Pour-Over Will	Will that directs remaining assets into a trust at death
Power of Attorney	Legal document allowing someone to act on your behalf
Probate	Court process of validating a will and distributing an estate
Revocable Trust	Trust that can be changed or revoked during your lifetime
Successor Trustee	Person who takes over trust management if the original trustee cannot serve
Trust	Legal arrangement where one party holds assets for another
Trustee	Person or institution that manages a trust according to its terms
Will	Legal document outlining how assets are distributed at death

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Chapter IV
Taxes

The Tax Story

Taxes are not the reason to build an estate plan. But taxes are one of the biggest reasons plans either succeed or fall short. A well-designed plan moves wealth to the people and causes you care about with as little leakage to taxes as the law allows.

This chapter walks through what the current rules actually say, in plain English.

The Federal Estate Tax

- Under the One Big Beautiful Bill Act (OBBBA), the federal estate and gift tax exemption was permanently increased to **$15 million** per individual starting January 1, 2026. For married couples using portability, that creates a combined exemption of **$30 million**.[2.] The exemption is indexed for inflation, so it will continue to rise in future years.

- **What This Means in Practice**: If your total estate, including life insurance, retirement accounts, real estate, and all other assets, is below $15 million ($30 million for married couples), you will likely owe no federal estate tax.

- If your estate *does* exceed the exemption, the top federal estate tax rate is **40%** on the amount above the threshold.[3.]

Total estate	**$18,000,000**
Federal exemption	**$15,000,000**
Amount subject to federal tax	**$3,000,000**
Federal estate tax (40%)	**$1,200,000**
Amount remaining for heirs	**$16,800,000**

An Example

Imagine someone dies in 2026 with an $18 million estate.

For most families, it's irrelevant, but for those above the threshold, it is significant without careful planning.

2. https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax as of 2.27.2026
3. https://smartasset.com/retirement/lifetime-gift-tax-exemption as of 1.26.2026

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The Federal Estate Tax Rates (For 2026)

The 40% figure on the previous page is the top federal estate tax rate, but it is not the only rate!

Federal estate tax is applied in brackets, similar to income tax. The portion of a taxable estate that falls into each bracket is taxed at that bracket's rate, with a base tax carried forward from the brackets below. The table below shows the full schedule for 2026, applied to estate value above the $15 million exemption. It comes from the IRS estate tax calculation used in Form 706, which is the form executors use to compute the estate tax under federal law.

Taxable Amount	Estate Tax Rate	What You Pay
$1 to $10,000	**18%**	• $0 base tax • 18% on taxable amount
$10,000 to $20,000	**20%**	• $1,800 base tax • 20% on taxable amount
$20,000 to $40,000	**22%**	• $3,800 base tax • 22% on taxable amount
$40,000 to $60,000	**24%**	• $8,200 base tax • 24% on taxable amount
$60,000 to $80,000	**26%**	• $13,000 base tax • 26% on taxable amount
$80,000 to $100,000	**28%**	• $18,200 base tax • 28% on taxable amount
$100,000 to $150,000	**30%**	• $23,800 base tax • 30% on taxable amount
$150,000 to $250,000	**32%**	• $38,800 base tax • 32% on taxable amount
$250,001 to $500,000	**34%**	• $70,800 base tax • 34% on taxable amount
$500,001 to $750,000	**37%**	• $155,800 base tax • 37% on taxable amount
$750,001 to $1 million	**39%**	• $248,300 base tax • 39% on taxable amount
$1 million+	**40%**	• $345,800 base tax • 40% on taxable amount

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Portability: Why Both Exemptions Matter

For married couples, the federal system allows "***portability***," meaning any unused exemption from the first spouse to die can be transferred to the surviving spouse.

- This effectively **doubles** the available exemption at the second death, up to **$30 million in 2026**.

But portability is *not* automatic.

It requires filing IRS Form 706 (the federal estate tax return) within nine months of the first spouse's death, plus a permitted extension, even if no tax is owed.[4.]

Families that skip this filing because "we're under the limit anyway" have, in some cases, lost millions of dollars of usable exemption when circumstances later changed.

A Simple Rule: when the first spouse dies, file Form 706 to elect portability, even if it appears unnecessary at the time. Circumstances can shift.

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The State-Level Tax

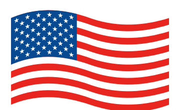
A number of states impose their own estate or inheritance taxes, often with thresholds much lower than the federal exemption. Some states with no estate tax have their own twist, such as inheritance taxes or other planning rules.[5.]

Families that own property in multiple states, spend time in multiple states, or are considering a move need to map those rules carefully.
The federal picture is only half the story.

Some 2026 Examples

State	MA	NY	PA
Gift Tax	No	No	No
Estate Tax	Yes	Yes	No
Inheritance Tax	No	No	Yes
Rate	0.8–16%	3.06–16%	4.5–15%
Exemption Amount	$2M	~$7.35M	None

The specifics vary year to year and state to state. Speak with an Asset Strategy tax advisor to run your numbers against your actual geography!



[4.] https://www.halllawgroup.com/one-common-estate-tax-error-that-could-cost-you/ as of 8.28.2025
[5.] https://www.wealthspire.com/guides-whitepapers/federal-state-estate-gift-tax/ as of 2.4.2026

The Step-Up in Basis: One of the Most Valuable Rules on the Books

There is a quiet rule buried in the federal tax code that shapes how many families think about estate planning more than almost any other: the step-up in basis at death.

Under IRS §1014, when your heirs inherit a capital asset, the cost basis of that asset is "***stepped up***" to its fair market value as of your date of death.[6.] The decades of appreciation that built up during your lifetime effectively disappear for income tax purposes.

An Example:

- *You bought a rental property in 1985 for $150,000.*
- *In 2026, it is worth $1.5 million.*
    - *If you sold it during your lifetime, you would owe capital gains tax on the $1.35 million of appreciation.*
    - *If you hold it until death and your children inherit, their cost basis becomes $1.5 million.*
    - *If they sell shortly afterward, they may owe little or no capital gains tax.*

This single provision is why many families, particularly those holding highly appreciated real estate, often benefit from holding certain assets until death rather than gifting them during life.

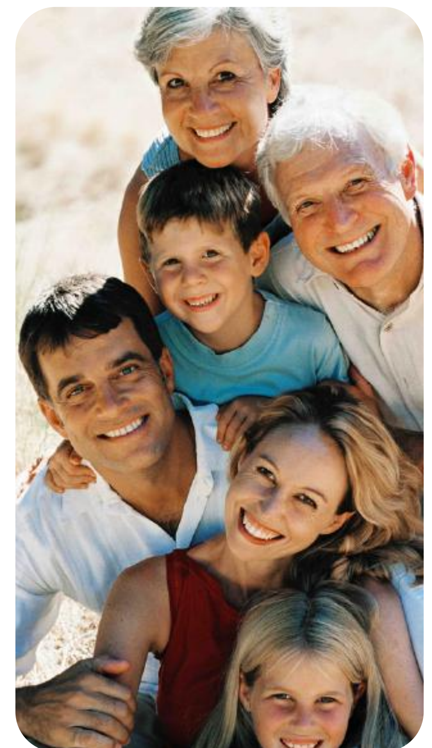
Generation-Skipping Transfer (GST) Tax

For families with significant wealth, there is a third federal tax to be aware of.

The "***Generation-Skipping Transfer Tax***" is designed to prevent wealthy families from skipping a generation to avoid estate tax on the middle generation.

The GST exemption mirrors the estate and gift tax exemption, also $15 million per individual in 2026 under OBBBA.[7.] If you transfer assets to grandchildren or others more than one generation younger, the GST rules determine whether an additional layer of tax applies.

For most families, the GST rules are only relevant if multi-generational wealth planning is on the table. For those families, it is essential.



[6.] https://www.law.cornell.edu/uscode/text/26/1014 as of 4.23.2026
[7.] https://taxfoundation.org/research/all/federal/one-big-beautiful-bill-act-tax-changes/ as of 4.23.2025

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Chapter V
Giving

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Giving Smarter, While You're Still Here

A lot of estate planning focuses on what happens after death. But some of the most effective strategies happen long before.

Lifetime gifting moves assets out of your taxable estate, lets you see the impact while you are alive, and in many cases delivers better tax results than waiting. Done well, lifetime giving is also one of the most satisfying parts of a legacy plan. You get to watch the effect.

The Annual Gift Tax Exclusion

The simplest, cleanest, and most underused estate planning tool in the United States is the annual gift tax exclusion.

- **For 2026, the IRS allows you to give up to $19,000 per recipient per year** without any gift tax consequences and without using any of your lifetime exemption.[8.] Married couples can combine their exclusions (called "gift splitting") to give **$38,000** per recipient per year.

This sounds small. It isn't.

Annual Gifting Example

A married couple with three children and five grandchildren wants to reduce their taxable estate. Using the 2026 annual exclusion:

Recipients	Exclusion per Year
3 children x $38,000	$114,000
5 grandchildren x $38,000	$190,000
Total per year	**$304,000**

Over ten years, that's more than **$3 million moved out of the estate**, without any gift tax filing and without touching the lifetime exemption (explained next page).

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8. https://www.irs.gov/faqs/interest-dividends-other-types-of-income/gifts-inheritances/gifts-inheritances as of 2.10.2026

The Lifetime Exemption

If you give more than the annual exclusion to any single person, the excess does not necessarily trigger a tax.

It simply counts against your federal lifetime exemption, which is the same **$15 million** figure we discussed in Chapter IV.

A few things worth knowing:

- **Gifts above the annual exclusion require filing IRS Form 709, even if no tax is owed.**

- **Once you use a portion of your lifetime exemption, that portion is no longer available at death.**

- **The IRS has confirmed that large gifts made while exemptions are high will not be "clawed back" if exemption amounts decrease in future years.**

For families approaching the federal exemption, coordinated annual gifting plus larger strategic gifts can meaningfully reduce estate tax exposure.

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Giving for Education: Two Powerful Tools

Education is one of the most popular destinations for gifted money, and two tools make it particularly effective.

529 College Savings Plans

- A 529 plan lets you contribute money on behalf of a beneficiary (often a child or grandchild) to pay for qualified education expenses, including college, graduate school, and some K-12 tuition.
- Contributions grow tax-free. Withdrawals for qualified expenses are also tax-free.
- A unique feature: you can **"front-load" a 529 with up to five years of annual exclusion gifts in a single year**. In 2026, that means up to **$95,000** per beneficiary (**$190,000** for married couples splitting gifts), all in year one, without using any lifetime exemption.[9.]
- If the beneficiary doesn't use the funds, they can be transferred to another family member. Under SECURE 2.0, unused 529 funds can also be rolled into a Roth IRA in the beneficiary's name, up to a $35,000 lifetime cap, provided the 529 account has been open for at least 15 years. Annual rollovers are subject to the Roth contribution limit for that year.

Direct Tuition Payments

- Here is a lesser-known strategy: payments made directly to an educational institution for someone else's tuition are not considered gifts for tax purposes at all.
- They don't count against the annual exclusion. They don't count against the lifetime exemption. They are simply not gifts in the eyes of the IRS.
- This is one of the most efficient and tax-advantaged ways a grandparent can support a grandchild's education without touching their gift tax allowances. **The only requirement is that the payment goes directly from you to the school, not through the student**. The same rule applies to direct payments for qualifying medical expenses.

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[9.] https://federated-fiducial.com/160/holiday-gifts-that-offer-tax-benefits-for-you-and-your-loved-ones/ as of 12.2.2025

Charitable Giving: Doing Good & Planning Smart

For families with a charitable bent, philanthropy can be one of the most flexible and tax-efficient parts of an estate plan. A few structures worth understanding:

Donor-Advised Funds (DAFs)

A Donor-Advised Fund is a charitable investment account at a sponsoring public charity.

You **contribute cash or appreciated assets to the DAF**, **take the charitable deduction in the year of contribution**, and then **recommend grants from the fund to qualified nonprofits** over time. This structure is particularly useful when you have a high-income year (for example, after the sale of a business or appreciated real estate) and want to accelerate charitable giving for tax purposes while smoothing out the actual distribution over years.

Private Foundations

A Private Foundation is a 501(c)(3) organization that **you and your family create and control**.

It offers maximum control over grantmaking and can involve multiple generations of family members in philanthropy. The trade-off: **more administration**, **higher costs**, and **stricter IRS rules than a DAF**.

For most families, a DAF covers the need, but for larger family legacies or a multi-generational charitable mission, a foundation may make sense.

Qualified Charitable Distributions (QCDs)

If you are **70½ or older** and have an IRA, you can make charitable gifts directly from your IRA, up to an annual limit, and **those gifts count toward your required minimum distributions without being counted as taxable income**.

For retirees with required distributions they don't need for living expenses, QCDs are often the most tax-efficient way to give.

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Real Estate and Charitable Remainder Trusts

Now for a strategy that deserves its own section, particularly for families whose wealth is concentrated in appreciated real estate.

A Charitable Remainder Trust (CRT) Works Like This:

- You transfer an appreciated asset, often a piece of real estate, into an irrevocable trust.
- The trust sells the asset (no immediate capital gains tax, because the trust is a tax-exempt entity).
- The trust then pays you, or someone you designate, an income stream for a set number of years or for life.
- When the income period ends, whatever remains in the trust passes to one or more charities of your choice.

The benefits stack:

1) You avoid immediate capital gains tax on the sale of the appreciated property

2) You get an upfront charitable deduction for the present value of the future charitable gift

3) You generate an income stream from an asset that may not have been producing one

4) You remove the asset from your taxable estate

5) You support causes you care about

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For a family sitting on a property that has appreciated dramatically over decades, a CRT can transform a real estate holding from a tax problem into a **flexible**, **income-producing**, charitable legacy vehicle.

This is not a strategy to pursue casually.

It is **irrevocable** (like we mentioned in Chapter III), and it involves ongoing administration.

But, for the right family with the right property and the right charitable intent, it is one of the most elegant tools in the estate planning universe.

Lifetime Gifting vs. Holding to Death: The Basis Question

Before gifting any highly appreciated asset during your lifetime, there is one question every family should ask: "***Am I giving up the step-up in basis?***"

When you gift an appreciated asset during life, the recipient takes your original cost basis (a "carryover basis"). When you pass the same asset at death, the recipient generally receives a stepped-up basis equal to fair market value. **The practical difference can be enormous for the eventual capital gains tax**.

There is no universal right answer.

- **For assets you expect to keep appreciating**, gifting earlier may move more value out of your taxable estate.
- **For assets already heavily appreciated that your heirs are likely to sell shortly after inheriting**, holding to death may save significantly more in capital gains tax than gifting would save in estate tax.

This is one of the many places where tax strategy and estate strategy need to be thought about together, not separately.

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Lifetime Gift vs. Hold Until Death: A Quick Comparison for Appreciated Real Estate

Factor	Lifetime Gift	Held Until Death
Cost basis for recipient	Your original basis (carryover)	FMV at death (step-up)
Uses federal exemption	Yes (if over annual exclusion)	Yes
Capital gains tax if sold later	Based on original basis	Minimal, if sold near date of death
Removed from taxable estate	Yes (immediately)	No (included in estate)
Control while alive	Gone (unless structured via trust)	Retained

The choice depends on how much appreciation has already occurred, how long the recipient is likely to hold the property, your estate tax exposure, and your need for control.

Chapter VI
Family

The Conversation Nobody Wants to Have

Of all the tasks in estate planning, the documents are the easy part. An attorney can draft them in a few weeks. A financial advisor can fund them in an afternoon. What takes longer, and what most families never fully do, **is talk about it with each other**.

This chapter is not about legal structures. It is about the dining room table.

Why the Silence Happens

There are real reasons families don't talk about estate planning.

Parents worry that discussing an inheritance will dampen their children's ambition, create expectations, or invite conflict. Children worry that raising the topic will seem presumptuous, morbid, or greedy. So everyone defaults to silence, and the silence gets louder over time.

The problem is that silence is not neutral. It has consequences.

When adult children don't know the shape of their parents' estate, they can't plan their own lives around it. When siblings don't know their parents' wishes, they are more likely to fight after the death. When a healthcare proxy hasn't been briefed on the principal's preferences, decisions in a crisis get made by guess.

A single conversation, held before it's needed, solves most of this.

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What to Talk About (and What Not To)

You do not have to share specific dollar amounts to have a useful conversation. In fact, for many families, specific numbers are the least important part. What matters most is sharing:

The Existence of the Plan	• That there is a will, a trust, a healthcare proxy, a power of attorney, and where the documents are kept.
The Roles You Have Assigned	• Who is the executor. Who is the healthcare proxy. Who is the power of attorney agent. Who is the trustee. Why you chose each person.
The Reasoning Behind Major Decisions	• Why one child is receiving more or less than another. Why a particular charity is included. Why a specific piece of property is going to a specific person. These explanations, delivered in your voice, prevent years of speculation later.
Your Preferences About End-Of-Life Care	• Not in clinical detail, but in general terms. What kind of interventions you want and don't want. How you feel about hospice. Your burial or cremation preferences.
Where the Paperwork Lives	• The names and contact information of your attorney, accountant, and financial advisor. The location of key documents. Any digital account access information.

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- **You do not** have to share the exact balance of every account.
- **You do not** have to hand out copies of the will.
- You just have to make sure that, when the time comes, **your family is not starting from zero**.

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A Few Practical Tips for the Conversation

Pick the Right Time

Not at a wedding. Not on Thanksgiving. Not when emotions are already running high. A planned, deliberate family meeting, with advance notice and a clear purpose, gets better results than an off-the-cuff holiday moment.

Frame It Positively

You are not telling your family what they will inherit. You are telling them what you have planned so that, when something happens, they know what to do. The framing is "here is how I have taken care of us," not "here is what you will get."

Meet With Children Individually First, if Appropriate

For some families, a one-on-one conversation with each adult child, before a group conversation, reduces the group dynamics that can make these topics hard.

Allow Questions, Allow Silence

Your children may need time to process. They may have questions you hadn't anticipated. They may have feedback you hadn't expected. That is a feature, not a bug.

Revisit, Don't Recite

Estate plans change over time. One conversation is not enough. A brief check-in every few years, especially after major life events, keeps everyone current.

Bring the Professionals In

Introducing your family to your attorney, accountant, and financial advisor while you are alive means they will know who to call when they need to. A brief joint meeting can do more than a dozen written instructions.

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Raising the Next Generation

For families with younger children, the conversation looks different. The goal is less about communicating a specific plan and more about building financial literacy over time.

A few ideas that have worked for clients over the years:

- **Start with the basic concepts of saving, spending, and giving in elementary school**
- **Introduce the concepts of compounding and investing in middle school**
- **Involve teenagers in real household financial discussions, including charitable giving decisions**
- **For adult children, consider including them in meetings with the financial advisor so they understand the family's overall financial picture**

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You cannot control what your children will do with the wealth they eventually inherit. But you can dramatically increase the odds that they will handle it well by teaching them what money is for, not just how to manage it.

The Hidden Benefit of the Conversation

One final point.

Most families who finally sit down and have the estate planning conversation report, afterward, that they feel closer. That they understood their parents' values better. That they felt trusted. The conversation people dread is often the one that, once it's done, they wish they'd had sooner.

The Three-Step Asset Transition

To make things easier for your family when the time comes, three proactive steps cover most of the friction points:

- **Confirm with every institution (bank, brokerage, IRA custodian) that your accounts are titled and beneficiary-designated the way your plan intends.**

- **Maintain an updated beneficiary list for every account and policy. Beneficiary designations override wills and trusts, so these have to match your overall plan.**

- **Keep a written inventory of accounts, documents, digital access information, and professional contacts in a location your family can access. Many families use a dedicated binder paired with a password manager or digital vault so both physical and digital assets are covered.**

Our opinion is that these three steps solve probably 80% of the practical problems families run into at the worst possible moment.

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Chapter VII
Team

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Your Team

- **Estate planning is not a one-person job.**
- **It is also not a one-time job.**
- **You do not need the biggest firms or the most expensive professionals.**
- **You need the right fit for the shape of your plan.**

The Team

The composition varies by family, but for most, the core team working together includes:

Financial Advisor

The quarterback of the plan. Holds the full picture of your goals, assets, and evolving needs, coordinates the other professionals, and keeps the plan grounded in real life circumstances. At Asset Strategy, this coordination is where we focus most of our energy and attention.

Estate Planning Attorney

Builds the legal architecture: wills, trusts, and powers of attorney that meet state law and clearly reflect your intentions and legacy goals. Match the attorney's experience to the complexity of your overall plan and family needs.

Tax Strategist

Not the same as a CPA. A Tax Strategist looks forward, designing your estate around tax efficiency before decisions are locked in. At Asset Strategy, every client has access to a Tax Strategist as part of the core team.

Insurance Specialist

For families using life insurance in the plan, makes sure policies are structured, owned, and funded correctly. Ownership details are easy to get wrong and expensive to fix later.

Accountant (CPA)

Handles the reporting side: income tax returns, gift tax returns when required, and, after a death, the estate and fiduciary returns. The Tax Strategist designs, and the CPA files.

Trustees and Executors

The people who carry the plan forward. Judgment, reliability, and availability matter as much as the documents they are working from.

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Your Timeline

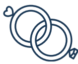
Estate plans go stale. Tax laws change. Families change. Assets change.

A plan that was perfect in 2015 may be actively harmful in 2026.

Most families benefit from a comprehensive review every **three to five years**, plus targeted updates after any of the following:

A birth or adoption

A death in the family



A marriage or divorce
(yours or a beneficiary's)

A significant change in assets
(inheritance, business sale, major real estate transaction)

A move to a new state

A change in federal or state tax law
(like the 2026 OBBBA changes)

A significant change in a beneficiary's circumstances
(disability, addiction, career change, etc.)

The incapacity or death of anyone named in a fiduciary role
(executor, trustee, agent under power of attorney)

The biggest single risk to an estate plan is not bad drafting. It is drift, the slow accumulation of life changes that render yesterday's plan out of sync with today's reality.

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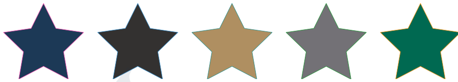
ASSET STRATEGY

A Five-Point Review Checklist

When you do sit down to review, these are the items to revisit:



1	**Beneficiary Designations**: On every retirement account, life insurance policy, and transfer-on-death account
2	**Named Fiduciaries:** Executor, trustee, healthcare proxy, power of attorney agent, and successors for each
3	**Asset Inventory:** What you own now versus what your plan assumes you own
4	**Tax Exposure**: Federal and state estate tax analysis based on current balances and current law
5	**Family Alignment**: Have your wishes or your family's circumstances changed since the last review?

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A review does not always mean a rewrite. Sometimes it confirms the plan is still on track. Either way, knowing is better than assuming.

Closing Thoughts

If there is a single message to take from this guide, it is this:

- **An estate plan is not a document.**
- **It is a living expression of what you have built, who you love, and how you want the story to continue.**

The documents matter. The tax math matters. The structures matter. But all of it serves something bigger, the care you have for the people and causes that will outlast you.

You have already done the hard part. You built the estate. Planning it forward is the smaller, more manageable task. And with the right team, the right conversations, and a thoughtful plan that gets reviewed on a reasonable schedule, it is entirely within reach.

If this guide raised questions you'd like to talk through, we're here for you.

Estate planning is, at its best, a partnership.

We'd be glad to be part of yours.

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About Asset Strategy

About Asset Strategy

For over 35 years, the Asset Strategy network of companies has been providing financial wellness to individuals and families as well as corporate and non-profit retirement plans. Asset Strategy assists clients with managing the risk and responsibility of sponsoring retirement and investment programs and helping individuals achieve successful financial outcomes.

Who We Are

Asset Strategy Advisors is a trusted advisor to investment stewards and fiduciaries, utilizing prudent processes, transparency, and a consultative approach to strengthen the financial future of America's workforce.

Our Mission

To help individuals and families "*Create, Protect, Manage & Distribute Wealth®*." We help them to define, plan, and work to achieve their financial goals. We assist companies and nonprofit organizations that offer retirement plans to provide a program that safeguards those in charge and effectively influences participants to achieve significant results.

Purpose Statement

Asset Strategy is built on a foundation of right relationships and integrity in dealing with all people. We embrace a corporate climate of trust, accountability, and encouragement. We are here to serve others and to multiply the gifts, talents, time and energy of everyone we encounter.

Our Code of Ethics

- ***Client-First Judgment****: When our interests and a client's interests diverge, we choose the client. When trade-offs exist, we explain them openly and let the client decide.*
- ***Integrated Competence****: Wealth management, tax strategy, and retirement planning are connected. We maintain the expertise to advise across them, and we bring in the right specialist when a situation calls for one.*
- ***Transparency in Relationships****: We disclose how we are compensated, how our affiliated entities relate, and anything that could reasonably influence our advice.*
- ***Confidentiality****: Client information stays within our firm, protected and used only in service of the client, except where disclosure is required by law.*
- ***Diligence and Follow-Through****: Plans are reviewed as life and law change. The work is finished when the plan still fits the life it was built for.*

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If you have any questions on estate planning, feel free to reach out to our team.

Set up a 15-Minute Discovery Call at:
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Charitable Remainder Trusts (CRT) is irrevocable and typically requires a donation of substantial assets. Legally, individuals no longer have control of the assets in the trust. Distributions from the CRT to the income beneficiaries might be taxable as ordinary income. Depending on the amount of assets donated, individuals may not be able to take the full tax deduction in the same year as the donation, however, it can be spread out over a five-year period.

Unlike a Charitable Remainder Trust, a Charitable Lead Trust is not tax-exempt. Trust income is taxed like the income of any other complex or grantor trust. CLT requires legal setup and likely ongoing maintenance costs, requires careful planning to ensure the trust can make its required payments during the trust term, and is irrevocable.

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