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Make the Most of Tax Reform:

Insights to maximize your wealth planning potential both now and for the future

What changed, what you should be doing now, and how you should be preparing for the future…

I Estate Tax Planning

II Business Tax Planning

III Personal Income Tax Planning

The Estate Tax lives…

- Estate, gift, and generation skipping-transfer (GST) tax exemption up to $11,180,000 per individual
- Top tax rate remains at 40%
- Portability of exemption between spouses remains
- Stepped-up (or down) basis of inherited assets to fair market value at death remains
- Gift tax annual exclusion remains ($15,000 – 2018)
- Provisions sunset December 31, 2025

Most provisions are effective for tax years beginning after 2017

What we recommend…

1. Above current exemption – “Load Up”
2. Above previous exemption – “No Regret Planning”
3. Below previous exemption – “Declutter”

Most provisions are effective for tax years beginning after 2017

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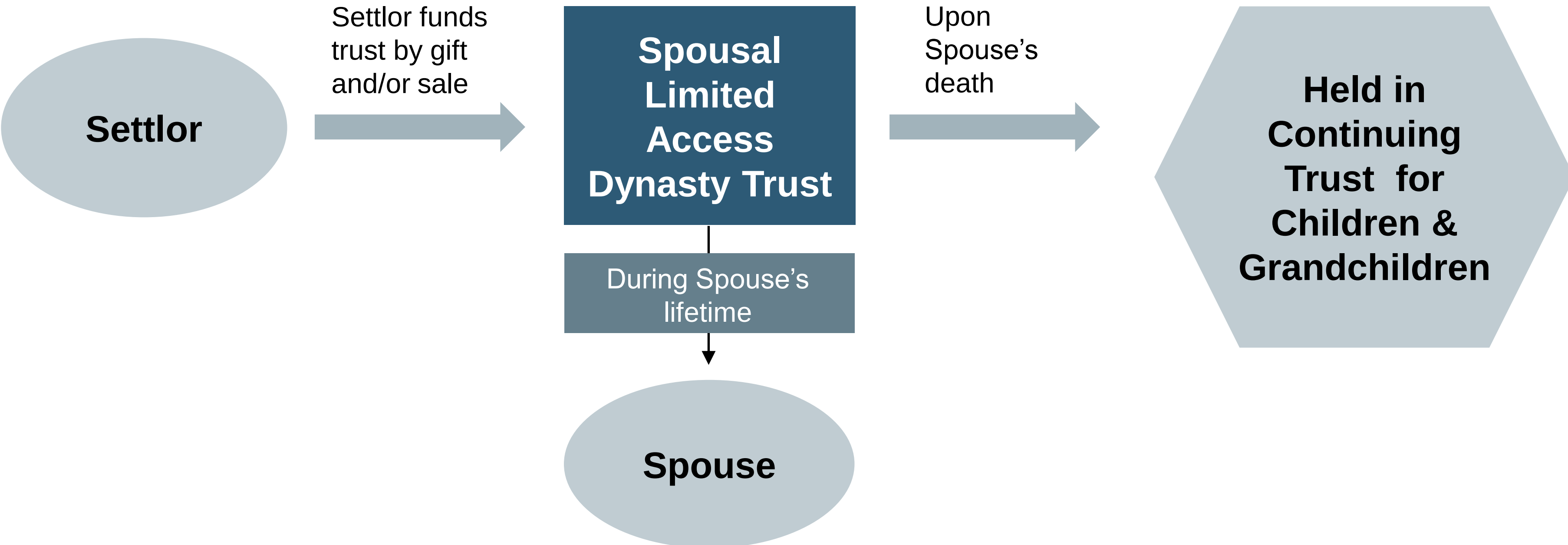
What you should be thinking about now…

Lifetime Gifting: Opportunity to utilize strategies to “lock in” the exemptions and mitigate future transfer taxes, even if the higher exemptions expire at some later date.



Delaware, Spousal Access, Dynasty, Grantor Trust with Swap Powers

Wilmington Trust Company operates offices in Delaware only. Note that a few states, including Delaware, have special trust advantages that may not be available under the laws of your state of residence, including asset protection trusts and direction trusts. If you are interested in learning more about the trust advantages under Delaware law, please let us know, and we will put you in contact with our affiliate, Wilmington Trust Company.

Business Taxpayers are the winners…

- Top corporate tax rate of 21%
- NEW 20% deduction for qualified pass-through business income (temporary)
- Immediate expensing ($1,000,000) for Section 179 property
- Immediately expensing (100%) of qualified depreciable property
- Corporate AMT repealed

Most provisions are effective for tax years beginning after 2017

What business owners should be thinking about now…

Revisit operating entity structures…

Entity	Pass-through (old law)	Pass-through (new law)*	C Corporation (old law)	C Corporation (new law)
Income (non-wage)	$100,000	$100,000	$100,000	$100,000
Tax on income earned by entity	(39.6%) $39,600	(37% of 80% of income) $29,600	(35%) $35,000	(21%) $21,000
Tax on dividends	N/A	N/A	(20%) $13,000	(20%) $15,800
Net after tax	$60,400	$70,400	$52,000	$63,200

*Assumes pass-through deductions apply

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Relevant Income Tax Provisions for HNW Taxpayers

	Old Law	New Law (as of January 1, 2018)
Ordinary Income Rates	Seven brackets: top rate of 39.6% for income above $418,400 (single); $470,700 (married); $235,350 (married filing separate); indexed for inflation	Seven brackets: top rate of 37% for income above $500,000 (single); $500,000 (head of household); $600,000 (married); $300,000 (married filing separate); indexed for inflation after 2018; provisions sunset after 2025
Standard Deduction	$6,350 (single and married filing separately); $9,350 (head of household); $12,700(married); Indexed for inflation	$12,000 (single and all other taxpayers); $18,000 (head of household); $24,000 (married); indexed for inflation after 2018; provisions sunset after 2025
Itemized Deduction	Fully available (tax preparation, investment fees and expenses, miscellaneous, etc.) with phase-out for adjusted gross income over $261,500 (single); $313,800 (married)	Suspends most deductions; provisions sunset after 2025; phase-out of deductions suspended (Pease)
Mortgage Interest Deduction	Home mortgage interest deduction for up to two residences, $1,000,000 debt limit; $100,000 debt limit for home equity	Limits home mortgage interest deduction for new purchases from 2018-2025 to $750,000 of debt for first and second residences; repeals deduction for non-acquisition interest
State and Local Tax Deduction	State and local property taxes fully deductible; state and local income tax fully deductible	Limits combined deductions for state and local income, sales and property tax to $10,000; provisions sunset after 2025
Charitable Deduction	Charitable contributions of cash gifts to public charities are deductible up to 50% of adjusted gross income	Charitable contributions of cash gifts to public charities are deductible up to 60% of adjusted gross income; provisions sunset after 2025
Section 529 Plans	Allows 529 plans for higher education	Permits additional yearly distribution of $10,000 for elementary and secondary schools
Alimony Deduction	Above-the-line deduction for payor; included in the recipient's income	Eliminates deduction for payor; not treated as taxable income to recipient; applies to divorce and separation agreements after 2018
Alternative Minimum Tax (AMT)	26% and 28% rates, with exemption amount of $54,300 (single); $84,500 (married); $42,250 (married filing separately); $24,100 (Trusts); Indexed for Inflation	Increases exemption amount to $70,300 (single); $109,400 (married); $54,700 (married filing separately) Exemption phases out at $1,000,000 (married); $500,000 (all others) Indexed for Inflation; provisions sunset after 2025

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Comparison of Taxes Due in 2017 and 2018

Taxable Income Married Filing Jointly	2017		2018		Percentage Decrease in Tax Paid
	Tax Paid	ETR	Tax Paid	ETR	
$200,000	**$42,884**	21.44%	**$36,579**	18.29%	**14.70%**
$400,000	**$107,217**	26.80%	**$91,379**	22.84%	**14.77%**
$600,000	**$182,830**	30.47%	**$161,379**	26.90%	**11.73%**
$1,000,000	**$341,230**	34.12%	**$309,379**	30.94%	**9.33%**

(1) Assumes tax rates are for married taxpayers filing jointly
(2) "ETR" is defined as the Effective Tax Rate
(3) Does not contemplate certain deductions or credits

What you should be thinking about now… "bunching and shifting"

- Plan for the timing or frontloading of charitable contributions by 'bunching' in a single year
- Consider a Charitable Remainder Trust (CRT) or Donor Advised Funds (DAF)
- Use a trust to mitigate state income taxation
- Use a trust to shift taxpayers year to year
- Use a trust to manage the investment income of minor children
- Consider dividing and shifting the ownership of real property to maximize deductions
- Consider swapping assets into and out of trusts to maximize basis step up

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Utilizing strategies to benefit both family and charity, such as Charitable Lead Trust

Donors

Assets transferred to CLT

Charitable Lead Trust

$10,000,000 for 20 years

At end of CLT term, balance passes to Family Members

Family Trust

Remainder: $10,365,795

Annual payments to charity

Donor Advised Fund "DAF" or Private Foundation

Total Payment to Charity: $16,148,475

Assumptions:

- April §7520 Rate: 3.2%
- 20 Year Term
- Payment Period: Annual
- Initial Contribution to Trust: $10,000,000
- Percentage Payout: Increasing by 20% each year
- Initial Percentage: 0.865%
- Growth Rate: 6%
- Potential Charitable Deduction: $10,000,000


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