

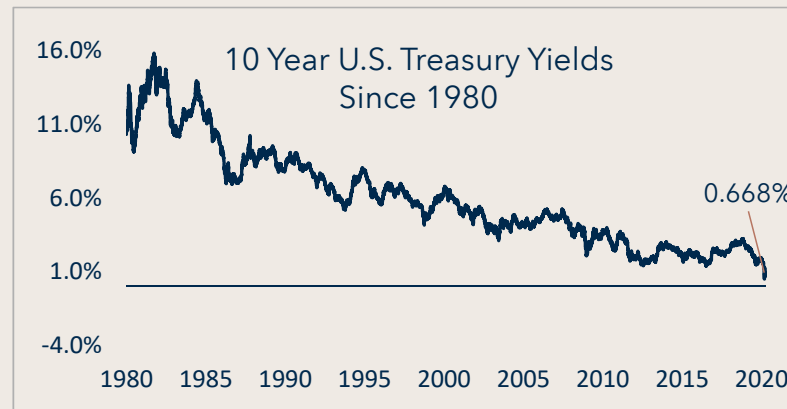
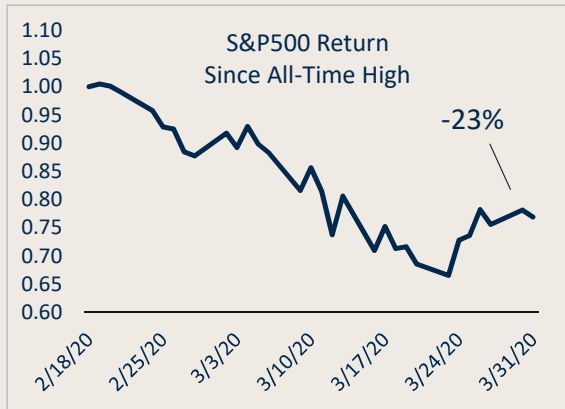


# Planning in a Pandemic

Why your clients should consider gifting **now**.

# Opportunity:

## Depressed Values and Low Interest Rates



Allow potential future appreciation to happen outside the estate

Hurdle rates are nearly all at all time lows

	GRATs & CLTs	Intra Family Loans& Sales to Grantor Trusts		
	7520 Rate	Applicable Federal Rate (AFR)		
		< 3 years	3 - 9 years	> 9 years
Current	0.8%	0.25%	0.58%	1.15%
10 Year Average	2.1%	0.87%	1.77%	2.81%
All Time Low	0.8%	0.16%	0.58%	1.15%

# Generous Estate Tax Exemption Could Disappear Sooner Than Expected



Exemption in 2020 is \$11.6M per person, \$23.2M per couple, with a fixed estate/gift tax rate of 40%

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Current tax law sunsets on December 31, 2025

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Pending further legislation, the exemption would approximately halve in 2026

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Risk that the legislation changes sooner

# Planning Opportunities in the Current Environment

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Roth Conversions

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Basic Gifting Strategies

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GRATs



Intra Family Loans

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Sales to Grantor Trusts

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Charitable Lead Trusts (CLTs)

# Gifting Capacity Considerations

## Aspire

Investments to help you pursue aspirational goals and create significant wealth through opportunistic investments that involve greater risk.

## Grow

A combination of global stocks and bonds along with alternative strategies, where appropriate designed to grow and maintain your lifestyle and meet primary, intermediate and long-term financial objectives.

## Preserve

A solid base of short-term and liquid assets designed to secure emotional comfort and preserve financial stability. These assets are conservative and liquid in case of emergencies.



# Gift Early, Get More



Quantify the Benefit

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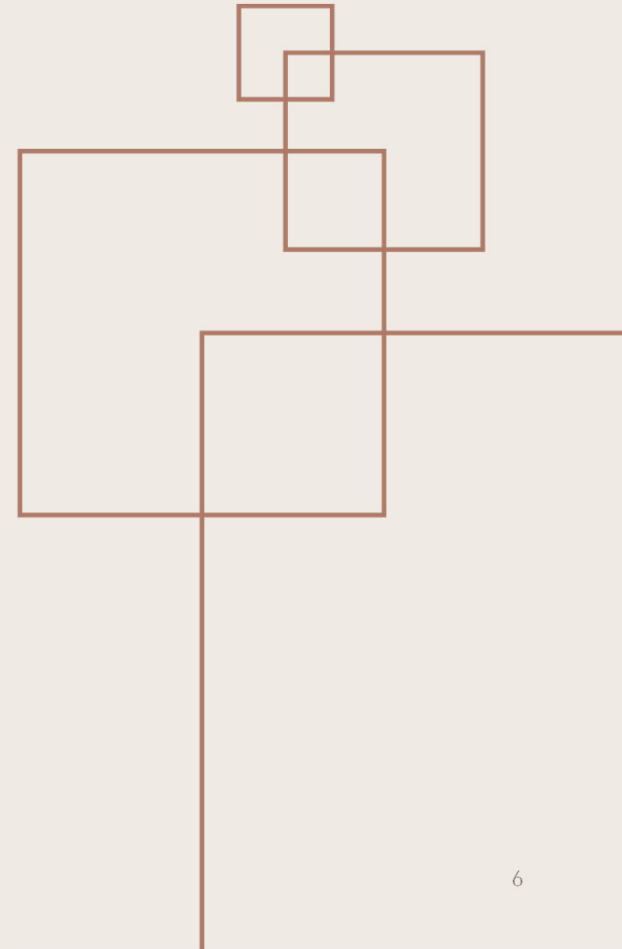


Quantify the Cost of Waiting

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Implementation Considerations



# Potential Benefits of Making a Lifetime Exemption Gift

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Growth outside the  
federal estate tax



Paying taxes on behalf  
of a Grantor Trust



Growth outside the  
state estate tax



## Case Study

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\$50M Family spending  
\$700,000 per year,  
growing with inflation



Makes a \$10M Gift  
of liquid assets



New York State  
residents subject  
to a 16% state  
estate tax\*

\* NY State Estate tax per [tax.ny.gov](http://tax.ny.gov). Please see Appendix for additional assumptions

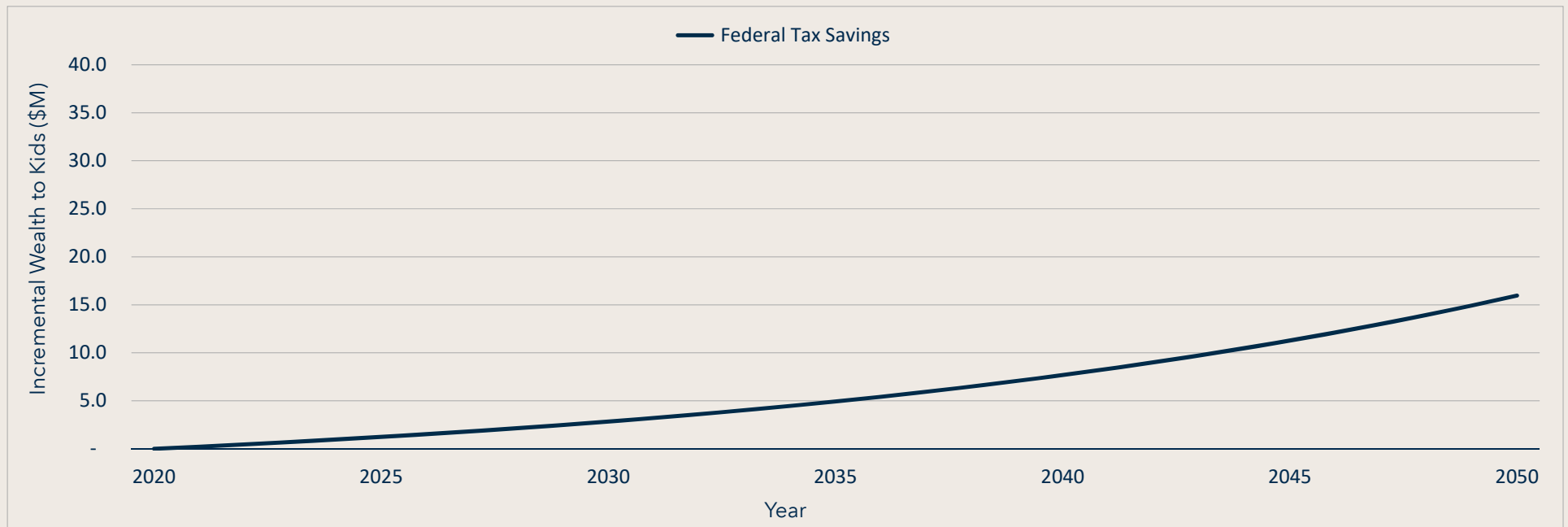
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# Benefit of Potential Growth Outside Estate

## Federal Tax Savings

### Potential Benefit of Gifting \$10M Now



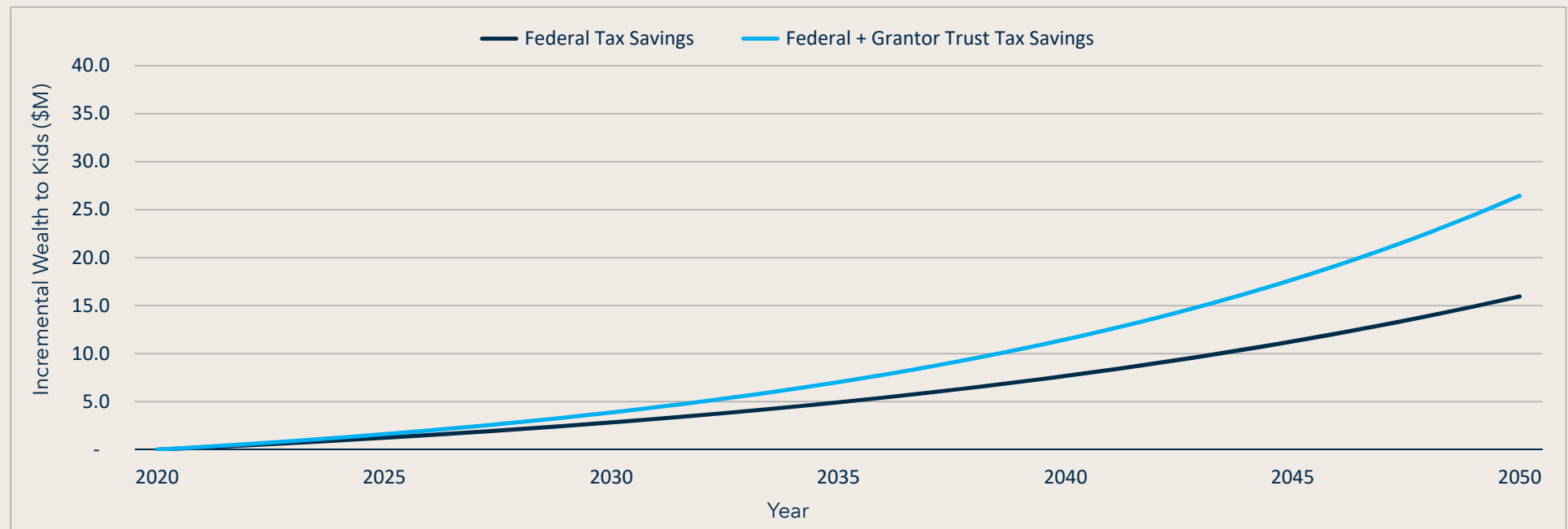
Based on Capital Group Analysis. Please see Appendix for Key Assumptions

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# Benefit of Potential Growth Outside Estate

## Federal and Grantor Trust Tax Savings

### Potential Benefit of Gifting \$10M Now



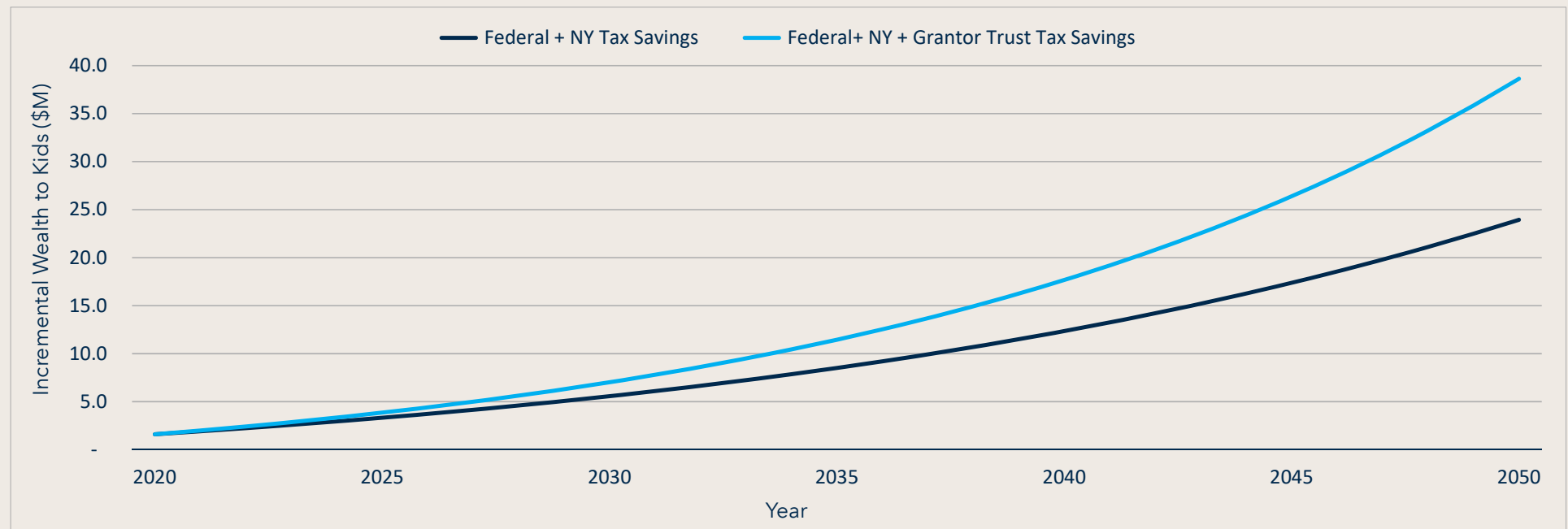
Based on Capital Group Analysis. Please see Appendix for Key Assumptions

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# Benefit of Potential Growth Outside Estate

Federal and NY State, Plus Grantor Trust Tax Savings

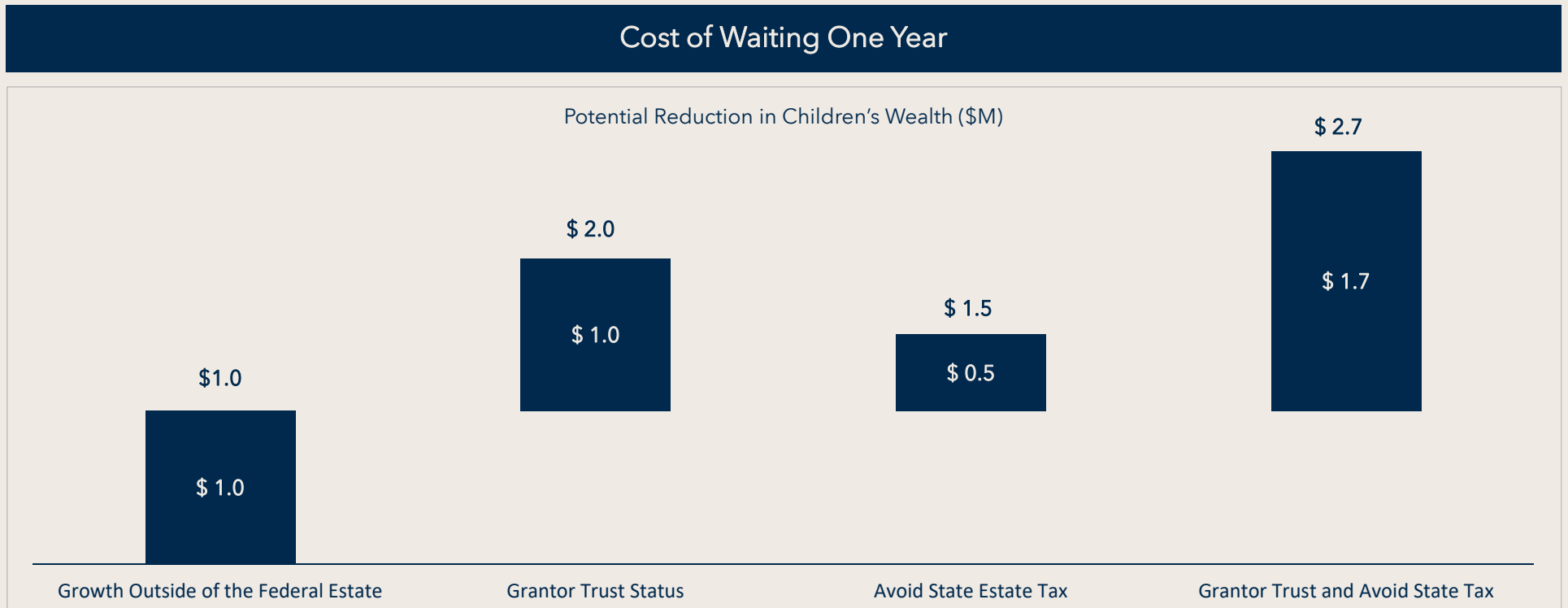
## Potential Benefit of Gifting \$10M Now



Based on Capital Group Analysis. Please see Appendix for Key Assumptions

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# Cost of Waiting



Based on Capital Group Analysis. The figures in the blue boxes represent the incremental benefit above and beyond the benefit of the asset growing outside of the estate. Please see Appendix for Key Assumptions

# Implementation Considerations

## What to give?



Embedded capital gains



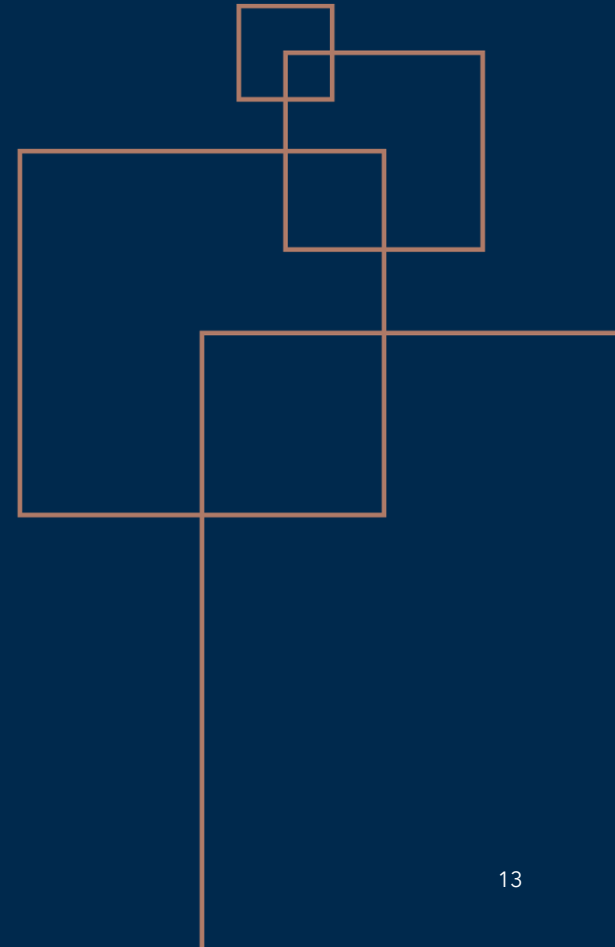
Appreciation potential



Valuation and Discounts



Continued use and enjoyment



# Implementation Considerations, Continued



## Risk of Over-gifting

- ✓ SLATs
- ✓ Trust Protectors



## Paying taxes on behalf of a Grantor Trust



## Growth **outside** the state estate tax



# Key Takeaways

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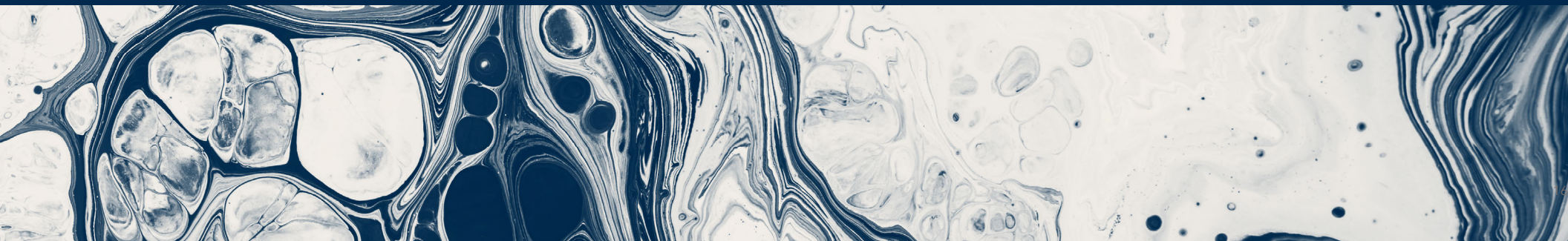


Making a gift could be worth approximately \$4 per every \$1 dollar gifted



Every year you defer a \$10M gift could cost your kids approximately \$1-3M

# Appendix



# Appendix:

## Key Assumptions

Assumption	Amount	Comments
Total Assets (\$M)	50.0	Sufficient scale to make gift and pay taxes for trust
Annual pre-tax return	7.0%	
Annual realized Capital Gains/Dividends	4.3%	2% dividend yield plus 1/3 annual turnover in portfolio
Federal Long-term Cap Gain/Div Tax Rate	23.8%	Includes 3.8% Medicare surcharge
State & Local Income Tax Rate	10.7%	New York City resident
Federal Estate Tax Rate	40%	
State Estate Tax Rate	16%	New York State

As of May 2020

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