

**The Novelli, Vander Voort &
Burkett Group
at Morgan Stanley**

July 2024

Planning Ahead

With hurricane Beryl's visit to Houston, our team hopes that everyone is doing well, has regained power, and that any damage sustained was minor. If we can help assist in anyway, please know we are ready and willing to step in.

After a tornado in May and the hurricane this month, I'm reminded of an old quote by Richard Cushing; "plan ahead; it wasn't raining when Noah built the ark." While it's impossible to plan for every anticipated outcome with these natural disasters, it's always helpful to be prepared and act now, rather than when it's too late. The same can be said for estate planning, which is why we are bringing your attention to the attached publication by Morgan Stanley's Family Office Resources Group. Any need to act or call to action will be on a case-by-case basis, as our colleagues reference in the attached, but we want to ensure that all our clients thoughtful about potential changes in the tax law forthcoming.



May C. Burkett
Private Wealth Management
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Be Prepared

As suggested in the attached, there is a sunset of some rules which could be critical for those who have higher estate valuations. The report states, "*individuals who currently have an estate larger than the Lifetime Exemption in effect as of January 1, 2026, may want to consider making gifts...*" While this won't affect all of our clients, for those potentially impacted, we encourage you to start a dialogue *now* so that there is plenty of time for you to achieve a thorough understanding of the changes coming and to ensure any planning analysis can be thoughtfully prepared and digested to inform your decisions.

Is This Applicable to Me?

All of our work collaborating with clients is tailored to each family's unique and specific situation. The attached report could help many determine that their situation falls below these anticipated changes. Still, as we've always advocated, it's important to continue to review your own planning, whether it is for retirement, education of your children or grandchildren, caring for a loved one, or other anticipated lifetime aspirations and expenses. We're available to assist with updating your *LifeView*® Financial Plan and talking through the integrity of your current plan or changes in life circumstances that might change some of your past planning.

Act Now

With respect to the changes outlined in the attached report, while it may seem like December 31, 2025, is far away, we are hearing from our friends who practice law as board certified estate planning attorneys that their schedules are already filling up. The concern for those who wait will be finding a qualified counselor to assist because we believe the months leading up to the end of 2025 could be very busy for this specific type of work.

While I will be out on maternity leave beginning this month, please feel free to reach out to the team with feedback, comments, and questions. I look forward to coming back later this year and assisting you all!

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ESTATE PLANNING STRATEGIES

The Time Is Now Do Not Wait Until It Is Too Late To Gift

While many individuals wait to determine if they will take advantage of the increased Federal estate and gift tax exemptions, others are already working with their advisors to ensure they don't miss out on the opportunity. Meanwhile, estate planning attorneys across the country are struggling to keep up with the increased demand. By working with your Morgan Stanley financial advisor, you can determine whether making a significant gift at this time fits your financial goals.

Sunset of the Federal Estate and Gift Tax Exemption

As of 2024, the Federal estate and gift tax exemption (the "Lifetime Exemption") is at an all-time high amount of \$13,610,000 per individual and \$27,220,000 for married couples. Unless there is a change in the law, the Lifetime Exemption is set to automatically sunset on December 31, 2025, which will result in the Lifetime Exemption reverting to \$5,000,000, adjusted for inflation from 2011.

As a result, individuals who currently have an estate larger than the Lifetime Exemption in effect as of January 1, 2026, may want to consider making gifts up to the current Lifetime Exemption before the potential sunset date. This way, they can lock in the higher exemption amount by removing the value of the gifted assets and any future appreciation on the assets from their taxable estate.

What Is the Rush?

While it appears that there is more than enough time to make a significant gift before the expiration of the current Lifetime Exemption, that may not be entirely true. A gifting transaction requires proper planning with your Morgan Stanley financial advisor and estate planning attorney. Unfortunately, the process can be difficult and often takes longer than expected. Further, many estate planning attorneys are already struggling to keep up with the increased demand—a problem that will only compound the closer we get to the expiration of the current Lifetime Exemption. As such, if you are considering taking advantage of the increased Lifetime Exemption before it expires, you should consider reaching out to both your Morgan Stanley financial advisor and your estate planning attorney immediately.

The sunset of the current Lifetime Exemption presents a potential

**Wealth and Estate Planning Strategists
Family Office Resources**

opportunity to do advanced estate planning, but the opportunity is not right for everyone. Before gifting a significant amount, one must first determine how much they can comfortably remove from their estate, if any, while ensuring they retain enough assets to fund their desired future lifestyle and support needs. A comprehensive financial plan prepared by your Morgan Stanley financial advisor tailored to your circumstances, needs and goals is an instrumental part of the decision-making process. This financial plan will, in turn, help clarify what estate planning strategy or strategies you can employ to yield the best results for you and your family. In addition to a variety of financial planning tools and resources, Morgan Stanley has experienced Wealth and Estate Planning Strategists to help you understand the various gifting and estate planning strategies that may be suitable for your situation. By working with your Morgan Stanley

financial advisor, you can determine if the current opportunity is right for you and your family.

It may also be a good idea to engage an estate planning attorney to begin drafting the necessary documents for any gifting transaction that you may be considering. By engaging an estate planning attorney early, you can begin working with them to determine the following: the best assets to gift, whether to use a trust, the identity of the trustee and successor trustee(s), the process for removing and replacing the trustee and who should have that power, the distribution standard of the trust and what other agreements could be required to close the transaction.

If you later decide not to proceed with the gifting transaction, you will be out the cost of the attorney's work but will have the work product for a potential future transaction. Alternatively, if a trust instrument is finalized, you can execute it and fund

it with a nominal amount of assets (for example, one hundred dollars). This way, if you later decide to proceed with a larger gift, the gift to the trust can happen quickly as the trust will already be in existence and the necessary trust account already open.

Call to Action

If you are considering a gifting transaction before the end of 2025, it may be a good idea to reach out to your Morgan Stanley financial advisor immediately so that they can begin to help you determine if the opportunity is right for you and your family. It would also be a good idea to engage an estate planning attorney to begin drafting the documents for the hypothetical transaction. If you wait, it may be difficult to make all the necessary decisions to ensure the transaction is completed before the current Lifetime Exemption expires.

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