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**Emerald Family Office & Advisory**

**Year-End Estate and  
Tax Planning 2024:**

**Keep Calm and Plan On**

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# 2024 – A Year in Review

## A calmer and stabilizing year

### Rise in portfolio values

Portfolio values have been positively impacted by more stable economic conditions (inflation, interest rates, and labor market)

### Steady interest rates

Although still higher, rates saw their first cut in over four years

### Normalized inflation

Inflation has been reduced back down near its target

## Changes approaching

### Expiration of Tax Cuts and Jobs Act

Absent any new legislation, less favorable income tax rates and a more restrictive estate planning framework is on the horizon

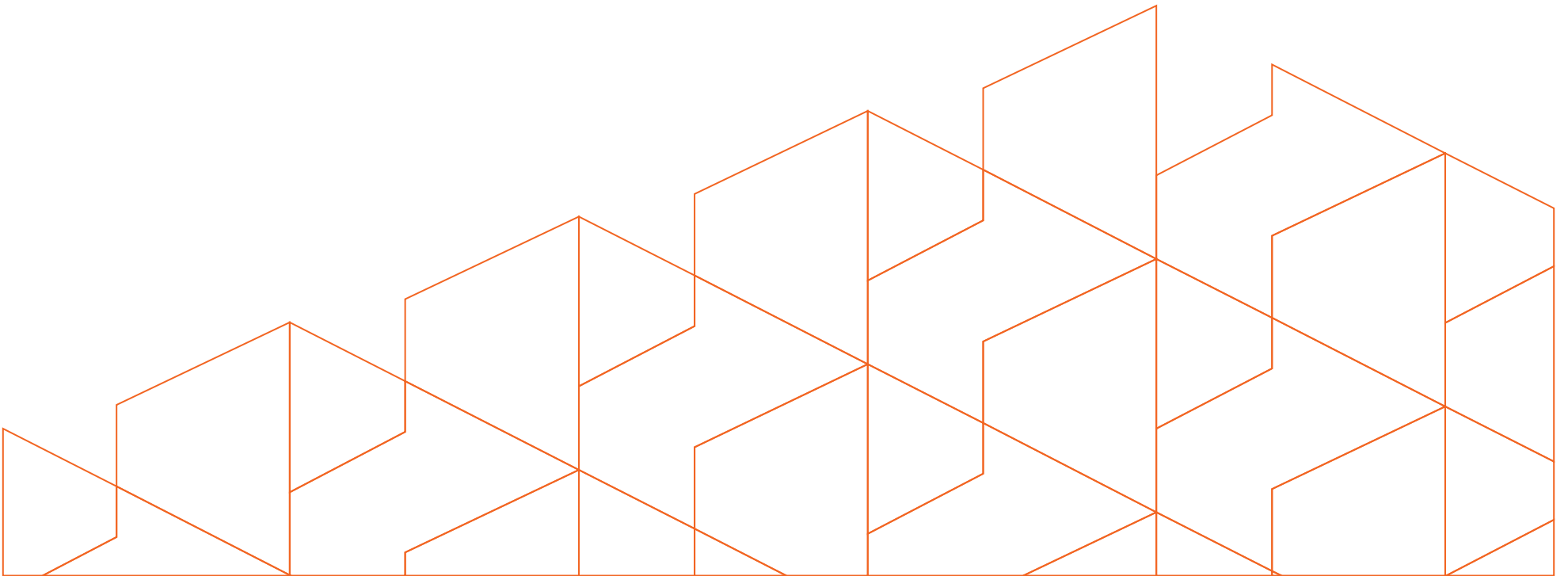
### Impact to beneficiaries

Final regulations issued for SECURE Act will impact distribution options for many beneficiaries of retirement plans starting next year

### Anticipation for interest rate cuts

Although a positive development, the recent start of rate cuts could impact many existing financial and estate plans

# Top 7 Considerations for Year-End Planning



# Top 7 Considerations for Year-End Planning

Immediate focus



Longer-term focus

- 1. Maximize Annual Contributions and Gifts**
- 2. Changing Legislation**
- 3. Review Income Tax Picture**
- 4. Review Investment Portfolio**
- 5. Prepare for Potential Interest Rate Changes**
- 6. Review Your Beneficiary Designations**
- 7. Review Estate Plan**

# 1. Maximize Annual Contributions and Gifts

Defer income to future years by contributing to tax-advantaged accounts now

## 401(k), 403(b), and IRA accounts

### Double tax advantage

- Reduces current year taxable income
- Tax-deferred growth

### Annual contribution limits in 2024

- 401(k), 403(b) - \$23,000, additional \$7,500 if over age 50
- IRA - \$7,000, additional \$1,000 over age 50

## Health savings accounts (HSA)

### Triple tax advantage

- Reduces current year taxable income
- Tax-free growth
- Tax-free distributions for qualified medical expenses

### Annual contribution limits in 2024

- \$8,350 for family coverage
- \$4,150 for individual coverage
- Additional \$1,000 if over age 55

**Note:** For any of these accounts, a nonqualified distribution may result in tax and/or penalty.

# 1. Maximize Annual Contributions and Gifts

Fund education expenses and make annual exclusion gifts

## 529 college savings plan

### Additional tax advantages

- Some states offer a tax deduction for contributions
- Tax-free growth
- Tax-free distributions for qualified education expenses
- Super funding is available to make five years' worth of gifts in a single contribution

### SECURE Act 2.0

- Lifetime maximum of \$35,000 of unused 529 accounts can be rolled over into a Roth IRA for the same beneficiary, with certain eligibility requirements

## Annual exclusion gifting\*

- Annual \$18,000 in tax-free gifts to any individual in 2024
- \$36,000 for married couples in 2024
- No limit to the number of recipients you may make gifts to under annual exclusion
- Amount is indexed for inflation so may increase for 2025 and future years
- Annual exclusion gifts can be made to 529 plans
- “Free gifts”
  - Direct payments to medical or educational institutions do not count toward annual exclusion or use of lifetime exemption

**Note:** A nonqualified distribution from a 529 plan may result in tax and/or penalty.

\*Source: Frequently Asked Questions on Gift Taxes | Internal Revenue Service (irs.gov) and Revenue Procedure 2022-38.

## 2. Changing Legislation

### Sunset of 2017 Tax Cuts and Jobs Act (December 31, 2025)

#### Lifetime gifting exemption\*

- All-time high federal exemption amounts provide a window of opportunity to make substantial gifts
- Federal lifetime gifting exemption amounts in 2024
  - \$13.61 million per person
  - \$27.22 million per married couple
- Without additional new legislation, the federal estate and gift tax exemption amount will sunset after December 31, 2025
  - \$5 million per person (indexed for inflation so expected to be approximately \$7 million per person)
- Be mindful of timing requirements for gifts to qualify as being made in 2024

\*Source: Frequently Asked Questions on Gift Taxes | Internal Revenue Service (irs.gov) and Revenue Procedure 2022-38.

## 2. Changing Legislation

### Sunset of 2017 Tax Cuts and Jobs Act (continued)

#### Income tax impact

- Income tax rates will become less favorable for the majority of taxpayers
- Expiration of the Qualified Business Income (QBI) deduction for certain pass-through entities
- State and local tax (SALT) and mortgage interest deduction restrictions to expire

### SECURE Act – Final regulations issued in July 2024

#### Required distributions from inherited retirement plans

- SECURE Act, signed into law late 2019, restricted the options for many beneficiaries of retirement plans
- Final regulations clarify requirements under the “10-year distribution rule”
  - If account owner died **prior** to their required beginning date, then no *required* distributions in years 1-9
  - If account owner died **after** their required beginning date, then required distributions must continue in years 1-9
  - In either circumstance, entire account must be distributed by the end of year 10 (unless an exception applies)
- Final regulations are effective beginning in 2025
  - Explore any income tax benefits to making distributions this year



## 3. Review Income Tax Picture

Lower Income Year – Opportunity to accelerate income & defer deductions

### Harvest capital gains on appreciated assets

- Lock in gains, particularly if you have losses to offset them

### Proactively make distributions from your retirement plans

- Pay tax on IRA withdrawals at a lower rate than in the future
- Reduce value of IRA to decrease required distributions in the future

### Roth conversion

- Consider converting your pre-tax IRA funds to a Roth IRA
- Conversion amount included in income

### Defer possible tax deductions to higher tax year

- Charitable contributions
- Improvements to investment properties

## 3. Review Income Tax Picture

Higher Income Year – Defer income & accelerate deductions and losses

### Tax-loss harvesting

- Realize losses from ill-performing holdings to offset some, or all, of capital gains from your well-performing holdings
- Carry forward any unused capital losses to use in future years
- Avoid the wash-sale rule
- Maintain your investment strategy
  - Don't let tax mitigation cause you to sell assets that play a strategic role in your portfolio

### Charitable gifting

#### Bunching strategy

- Make several years' worth of contributions in one year

#### Qualified charitable distribution (QCD) from an individual retirement account (IRA)

- Up to \$105,000 available to distribute directly to charity from an IRA in 2024
- Gift to charity not included in income and satisfies some/all required distribution
- Must be age 70½ to utilize a QCD

## 4. Review Your Investment Portfolio

Positive market performance in 2024

### Pinpoint opportunities

- Market performance may have thrown your allocation out of target
  - Asset classes may have become overweighted or underweighted
  - Opportunity to harvest capital gains and/or losses for income tax purposes
- How might interest rates impact the income from your portfolio
- Remember to keep your financial plan and long-term objectives in mind

## 5. Prepare for Potential Interest Rate Changes

September 2024 saw the first rate cut in over four years

### Cash flow planning

#### Review outstanding debt

- Refinancing opportunities to free up cash flow
- Fixed rate vs. variable rate

#### Consider line of credit

- Establish for liquidity
- May be tied to a variable rate index
- Securities-based line (SBL)
- Home equity line (HELOC)

### Estate planning

#### Opportunities before rates fall

#### Charitable remainder trust\* (CRT) and qualified personal residence trust\* (QPRT)

- Higher interest rates make these more attractive
- CRT – Income tax deduction to grantor; assets gifted and all future appreciation removed from estate
- QPRT – Transfer a primary and/or secondary (vacation) residence into trust to remove it, and the appreciation, from estate

#### Opportunities with lower interest rates

#### Intrafamily loans, grantor retained annuity trusts (GRATs), charitable lead annuity trusts (CLATs)

- Lower interest rates make these more attractive

\* See definition of terms on the last slide.

## 6. Review Your Beneficiary Designations

### Review named beneficiaries\* of retirement accounts, life insurance policies, and transfer on death accounts

- Relative value of non-probate assets may have been impacted by run-up in the market
- For example, a retirement account left to charity may over-fund your philanthropic goals
- Ensure coordination of estate plan following any lifetime gifts you have made to capture bonus gift tax exemption prior to sunset
- Determine impact of any major life events that occurred in 2024; marriage, divorce, the birth of children or grandchildren, and the death of a beneficiary or spouse can necessitate updates to your beneficiary designations
- Confirm beneficiary designations maximize tax benefits among broader estate plan – for example, a spouse may “inherit” a health savings account (HSA) and continue deferral of income and elimination of tax if they are the designated beneficiary

### Review how assets are titled

- Payable on death (POD) or transfer on death (TOD) accounts pass by operation of law to the named survivor – confirm coordination with overall estate plan
- Joint accounts created for convenience to pay expenses or manage money pass to surviving joint owner – confirm intent for account assets to pass to survivor

\* See definition of terms on the last slide.

## 7. Review Your Estate Plan

### **Ensure you have a complete estate plan and current fiduciary and beneficiary designations**

Even if you have implemented specific techniques to capture bonus exemptions or otherwise optimizing your income tax planning, it is important to ensure that you have a comprehensive estate plan in place to include:

- Will
- Trust(s)
- Powers of attorney for health care and financial matters
- Confirm how any applicable death or transfer taxes will be paid

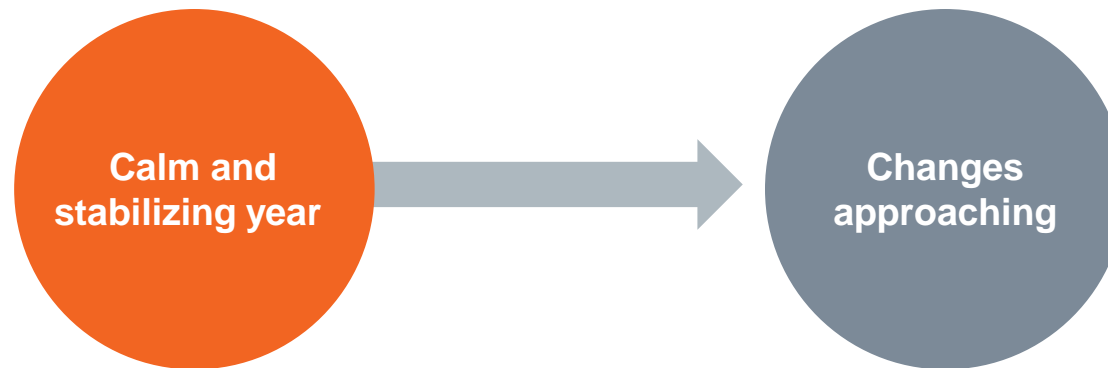
### **Review fiduciary appointments to ensure they are still the right choices**

- Availability and ability of named executors, trustees, and agents may have changed since original plan put in place
- Consider an estate settlement analysis to determine whether your existing plan will perform as expected and whether your named fiduciaries are properly positioned for the important responsibilities you have given to them

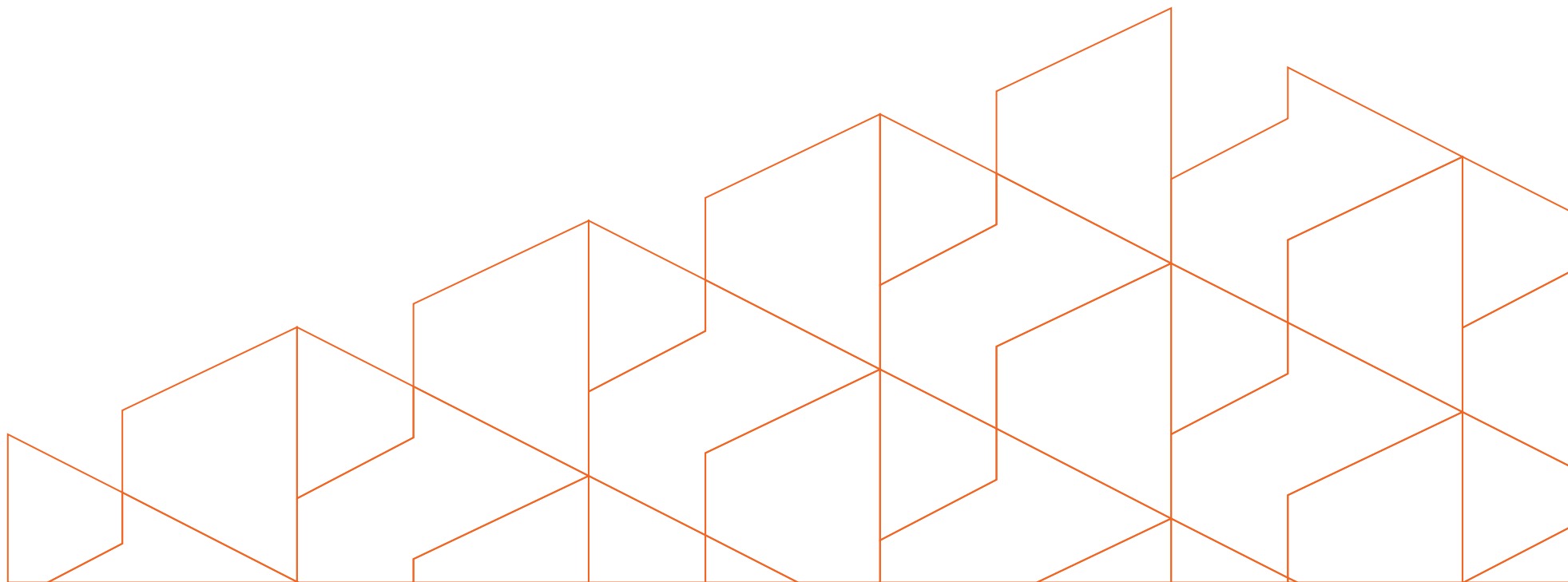
# Year-end Planning Summary

Periods involving an uncertain market and economic environment can provide valuable planning strategies

- Even though there may be no imminent tax law changes or concerns, shifting personal lives and financial situations make routine year-end planning critical
- Implementing a plan that combines both fundamental strategies with opportunities specific to the market environment in 2024 may help optimize your tax and financial situation and create some certainty and peace of mind



# Q&A





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### Specializing in:

- Estate and trust planning
- Succession planning
- Life insurance planning
- Cross-border planning
- Family office services

As part of the Wilmington Trust Emerald Family Office & Advisory® team, Alvina is responsible for wealth planning, family office services, and thought leadership development for Wilmington Trust's Wealth Management division. She oversees a national team of wealth strategists, family office services professionals, and thought leadership experts, who together, serve as advisors to high-net-worth individuals and families, business owners, entrepreneurs, and foundations.

Prior to joining Wilmington Trust, Alvina was a director at Citi Private Bank where she served as an advisor to U.S. and international ultra-high-net-worth clients. Previously, she served as a wealth strategist with Credit Suisse Private Wealth and practiced law at Milbank Tweed Hadley & McCloy, LLP. Earlier in her career, she was a consultant for Deloitte Consulting and Scient Corporation.

She holds a bachelor's degree in civil engineering from the University of Virginia where she was a Thomas Jefferson Scholar. She received her JD from the University of Pennsylvania, where she was a member of the Law Review and Order of the Coif. She also holds a Professional Tax Certificate in Estate Planning from New York University School of Law.

Alvina is a Fellow of the American College of Trust and Estate Counsel (ACTEC), a highly selective group of peer-elected trust and estate attorneys in the U.S. and abroad. She has been named as a recipient of the 2021 Outstanding 50 Asian Americans in Business Award by the Asian American Business Development Center and also has been recognized by [Crain's](#) New York Business as one of their Most Notable Women in Financial Advice in 2020. The honor recognizes leading women executives in New York City for their dedication to excellence in the financial industry and significant professional, civic, and philanthropic contributions. In addition, she was recognized as one of Worth's Groundbreakers 2020: 50 Women Changing the World.\*

She is a published author and frequent lecturer at leading industry conferences for the American Bankers Association, American Bar Association, Delaware Trust Conference, Hawaii Tax Institute, and *Barron's* Top Women Advisors Summit. She has been quoted in the *New York Times*, *The Wall Street Journal*, *Barron's*, *Bloomberg*, and *Business Insider*. She is also a member of the Society of Trust and Estate Practitioners (STEP) and Women In America, a professional mentoring group. She is active with the American Bankers Association as a Board member for Wealth Management and Trust and lecturer of the Trust School. She is currently Chair of the New York City Walentas Scholars Program for the University of Virginia. Alvina is bilingual and speaks fluent Chinese-Cantonese and basic Chinese-Mandarin.

\* Please see [link for more information about awards: Wilmington Trust Awards](#)

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### Specializing in:

- Estate and income tax planning
- Wealth preservation and protection strategies
- Trust design and implementation oversight
- Delaware trust strategies

As part of the Wilmington Trust Emerald Family Office & Advisory® team, Jeff is responsible for developing trust planning strategies for successful individuals and families throughout the United States and abroad. He works closely with his clients' legal, tax, and investment advisors to construct and implement appropriate trust structures that take advantage of the state of Delaware's favorable trust and tax laws.

Prior to joining Wilmington Trust in 2005, Jeff spent seven years in private legal practice as a member of the Estates and Trusts Practice Group of the Philadelphia-headquartered law firm of Montgomery, McCracken, Walker & Rhoads, LLP.

Jeff earned his JD (summa cum laude) and MBA (with honors) from Syracuse University and holds a bachelor's degree in economics from Northwestern University, where he was a member of Phi Beta Kappa. He is a frequent lecturer on topics involving the use of Delaware trusts for asset protection, state income tax mitigation, and investment management for unique trust assets. Jeff is a recipient of the Wilmington Trust Chairman's Club award.

He is a member of the Estates and Trusts Section of the Delaware State Bar Association and the Real Property, Trust & Estate Section of the American Bar Association.



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### Specializing in:

- Financial statement analysis
- Cash flow sustainability
- Retirement planning

Matthew is responsible for developing customized wealth management strategies and financial plans for successful individuals, families, and business owners. He works closely with other professional and family advisors to analyze financial positions and develop plans to help clients achieve future personal and financial goals.

Matthew, who joined M&T Bank in 2009, holds a bachelor's degree in finance from Canisius College and earned the CERTIFIED FINANCIAL PLANNER™ designation in 2011, and the CHARTERED FINANCIAL CONSULTANT® designation in 2015 from The American College. Matthew has also received the ACCREDITED ESTATE PLANNER® designation from the National Association of Estate Planners and Councils in 2019.

Matthew is an active member of the Financial Planning Association of Western New York and the Western New York Estate Planning Council.

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- **Credit secured by marketable securities can increase your level of market risk.**
- **The downside is not limited to the collateral value in your pledged account.**
- **Assets held in your accounts may lose market value or may be afforded less collateral value by the lender at any time, resulting in a collateral call.**
- **The collateral maintenance requirements can be increased at any time, which may result in a collateral call, and the lender is not required to provide you with advance written notice.**
- **You are not entitled to an extension of time on a collateral call.**
- **An increase to the variable interest rate will result in a higher periodic payment required and, if you are unable to make the higher periodic payment, could result in a collateral call.**

- **The sale of any securities in your account may be initiated, without contacting you, to meet a collateral call.**
- **Your ability to withdraw assets will be subject to the consent of the lender.**
- **The sale of your pledged securities may cause you to suffer adverse tax consequences. You should discuss the tax implications of pledging securities as collateral with your tax advisor. Neither M&T Bank Corporation, nor any of its subsidiaries, affiliates, or advisors, provide legal, tax or accounting advice. You should consult a legal and/or tax advisor before making any financial decisions.**

All securities and accounts are subject to eligibility requirements. Certain restrictions and terms and conditions apply. Tax-deferred assets are not eligible. Financing real estate with a securities-based loan or line of credit carries risk and may not be appropriate for your needs. Securities held in a retirement account cannot be used as collateral to obtain a loan.

# Definitions of terms

## **Agent**

A person authorized to act on behalf of another person.

## **Beneficiary**

The person or entity named or otherwise entitled to receive the principal or income or both from a trust.

## **Charitable Remainder Trust**

An irrevocable trust that generates a potential income stream for the grantor and/or other beneficiaries, with the remainder of the donated assets going to one or more named charities.

## **Executor**

Individual(s) appointed to manage a person's estate when deceased. Responsible for managing the assets in accordance with the decedent's wishes as outlined in the will and trust documents. Also responsible for estimating the value of the estate at the time of death and pay estate taxes, debts, and expenses.

## **Fiduciary**

A person (or organization) trusted by another party. A fiduciary is legally and ethically obliged to act in the best interests of their clients. Executors, trustees, agents, and health care representatives are fiduciary appointments in estate planning matters. That is, a trustee has a fiduciary duty to act in the best interest of the beneficiary.

## **Grantor Trust**

A trust created by the grantor that is a "disregarded entity" for income tax purposes and all income, deductions, and any taxes due from the trust are reported on the grantor's personal income tax return.

## **Power of Attorney (POA)**

A POA is a person who is given the authority to act on behalf of another person in specified legal, financial, or medial matters. A fiduciary appointment made in a POA is called an Agent.

## **Qualified Personal Residence Trust**

An irrevocable trust designed to hold a grantor's primary or secondary residence and, if the grantor survives the term of the trust, remove the value of the residence and all future appreciation from the grantor's taxable estate.

## **Trustee**

Individual designated by the grantor to assume legal ownership and manage the assets of a trust. Responsible for ensuring assets are administered in accordance with the trust terms.

## **Trust**

A fiduciary relationship between two parties—the trustor and the trustee. The first transfers a right to a holding to the second who manages the asset in the best interest of the designated beneficiaries under the terms of distribution established by the trustor.

## **Will**

A legal document that provides direction about the distribution of an individual's assets when they die.