Commonwealth

5 Steps to Providing Flexible Estate Planning Strategies

With many key provisions in the Tax Cuts and Jobs Act (TCJA) set to expire in 2025, how you approach estate planning with clients needs to be both proactive and flexible.

For example, in 2024, the estate and gift tax exemption amount is the highest it has ever been, at $13.61 million for an individual and $27.22 million for a married couple. However, on January 1, 2026, assuming Congress does nothing, the exemption amount will revert to pre-TCJA levels: $5 million for an individual, adjusted for inflation.

That change alone could have dramatic consequences for many wealthy investors' estate plans, and it's just one of several changes financial advisors need to be prepared to address as they guide individuals and families on the best ways to protect, preserve, and transfer assets across generations.

The key to providing the right strategy for each client is to get to know them. Having a deep understanding of their intentions allows you to pivot when their goals, such as business needs or charitable giving, family dynamics, or tax laws change over time.

And with the sunset looming, now is the perfect time to review estate planning with your clients—particularly those with a high net worth.

Key Questions for Effective Planning Sessions

To discover the best estate plan for your clients, it's important to ask the right questions. Use the following five areas to guide your discussions and uncover where your clients should focus their planning efforts.

1. General

- Based on your financial plan, there is a good possibility that you will leave behind substantial assets. How do you want your wealth to benefit your children, grandchildren, or community? What concerns do you have?
- Has your wealth increased more than 25 percent since you last reviewed your estate plan?
- When was the last time you reviewed whether your estate documents are coordinated with how your assets are owned and whom you have named as beneficiary?
- How would you like your trusts to work? What do you want your trusts to do for you and your family? Will your spouse need income from the trusts after your death?
- Do you have a special asset—such as a business or a home—that your family should retain? How will that be done?
- Have you earmarked an asset for a particular person or charity?

- Are you currently making gifts to (or performing volunteer services for) a church, a school, or a charitable organization? Do you plan to continue to make these gifts during your life or provide for gifts to be made upon your death? What kinds of pledges have you made to make a gift in the future?
- Tell me about your choice of trustee, executor, and/or successor trustee. Why did you choose them?
- Are you currently making gifts to family members? If not, what prevents you from doing so? If you are currently making gifts, do you want them to continue if you become incapacitated?
- Are you currently helping family members to reach their goals (e.g., buy a home, start a business, or take sabbaticals)? Have you made loans to them? If so, should the loans be forgiven at your death?
- Are you concerned about the negative effects of wealth on future generations? Have you considered incentives to encourage hard work, entrepreneurship, philanthropy, and church and social work?
- Tell me about your life insurance policies. Why did you purchase them? What would you like the death benefits to do for your family? If you had to change anything, what would it be?
- Do you spend part of the year in another state? Have you taken steps to ensure that your POA document will be effective in that state as well as your primary state of residence?
- Has your health changed since you last reviewed your estate plan?
- Is creditor protection an issue for you?

2. Family

- Who depends on your income and support?
- Have you named a guardian for your minor children? If so, is this guardian the best person to manage your children's inheritance, or should a separate guardian be named?
- Do you have children from a previous marriage?
- What do you want for your spouse after your death? Do you foresee any conflict between your spouse and your children?
- Do you have a family member with special needs whom you want to consider in your estate plan? Do you know the repercussions of passing an inheritance directly to this person?
- Do you have a family member who will need more financial resources than the others?
- Do your children have equal resources to provide for your grandchildren? Do you plan to help with the education of your grandchildren?
- Do you have a family member who is inexperienced with money or immature in handling financial matters?
- Do you have family members who are independently wealthy? Will an inheritance increase their likelihood of incurring estate taxes?
- Do you have in-law issues that concern you (e.g., issues regarding a son- or a daughter-in-law)? Statistics tell us that 56 percent of people get divorced. Do you think it is possible that your children may have to share their inheritance with former spouses?

3. Business

- When will you step down as head of your business? Do you have a target retirement date?
- Do you have a formal buy-sell agreement? Is it funded?
- How much of the ownership will you relinquish at retirement?
- Are there children who are active in the business? What are the plans for the children who are not working in the business?

- How will you tap into the business to pay out retirement income? What if your successors bankrupt the business?
- What assets will the estate liquidate to pay estate taxes?

4. Tax

- How will the estate taxes and other costs be paid? From what assets?
- Does your family understand how IRAs are taxed when inherited and what options are available for deferring those taxes? Under the SECURE Act, anyone who does not qualify as an eligible designated beneficiary (e.g., a surviving spouse, a minor child) has to deplete the inherited account by the end of the 10th year. Has your family accounted for the tax impact of those distributions, which may be taken as a onetime hit or spread over a period of years?

5. Informing family members

- How prepared is your family to receive your wealth after your death?
- Have you explained your estate plan to your family? If not, why not?
- Have you given your executor and trustees separate letters of instruction to provide guidance for managing your wealth?
- Have you made provisions for the distribution of your personal property? Are you aware that most family conflicts revolve around personal property?
- Have you discussed what should happen if you cannot care for yourself or for your financial affairs?
- How important is it to you that the investment management of your assets continues after your death or disability?
- Should your attorney-in-fact, trustee, or executor meet with your investment management team?

Maximize Your Clients' Financial Future

Estate planning is all about securing your clients' financial future and ensuring their peace of mind. Prepare your clients for the impending changes in estate planning brought on by the sunset of the TCJA and capitalize on the advantages before they revert in 2026.

Looking for more estate planning strategies? Reach out to us at businessdevelopment@commonwealth.com to talk about how Commonwealth can help you protect and maximize your clients' wealth.

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