



HOLIDAY 2025

Thoughts From Our Chairman - Alfred B. Van Liew

During the holiday season, we prefer to think about positive things such as family, friends and possibly some traveling. However, it is also important for us to continue to be responsible about what can be accomplished to provide security for our loved ones when we are gone. As an example, in this issue of As We See It, written by our associate Edward K. Staples, he reviews some of the important strategies that can assure the maximum amount of dollars are available for family. Happy Holidays!

Choosing the Right Trust Plan for You

Edward K. Staples

By now many U.S. taxpayers are relieved knowing the onerous federal estate “Death Tax” is no longer particularly pertinent in their financial planning. Over decades (especially through the 2017 Tax Cuts and Jobs Act) the Federal Estate Tax Unified Credit has risen to almost \$14 million per person and is due to rise to \$15M permanently in 2026 with continued adjustment for inflation. Besides this huge offset of federal estate tax at an individual’s passing (estates over \$14M potentially pay federal estate tax rates ranging from 18% up to 40%), there is a portability feature available to married couples allowing any unused balance of the credit to be applied subsequently to the estate of the surviving spouse. With the federal estate tax credit now at multi-million-dollar levels, most individuals and their families will not be subject to this federal estate tax. One might wonder, therefore, if trusts are still a viable tool for tax efficiency and if they continue to serve a valuable role in estate planning?

We believe the answer is yes. There are a variety of valuable benefits that trusts offer for asset management, protection and from tax planning perspectives. Choosing the right plan often starts with where you reside. While legislative action in Washington has codified federal estate tax exemption rules, there are still twelve (12) states which continue to apply their own estate tax, and of those only two provide the aspect of portability. Without portability to allocate tax credit between a married couple, the way assets are titled can play a crucial role in avoiding instances of “use it or lose it”!

Consulting with your attorney about the extent of your property will help in formulating the type of trust plan that best complements your chosen financial goals. Trust attorneys may also be instrumental in identifying and advising on

plans well-suited to a particular family dynamic and circumstances. Where there is a second marriage, for example, specific trust language may be more applicable to address shared step-children support or when a family's wish is to emphasize more expansive consideration of an individual's disability. The type of assets allocated to a trust plan will also impact drafting to reinforce stated preferences for ownership succession and control over family "legacy assets."

Based on characteristics such as state residency, marital status and extended family attributes, asset type, value and ownership title, some frequently applied tools of trust plans are:

- **Joint Trust** - establishes a straightforward survivor inheritance plan through one document at less expense with fewer recurring filing requirements.
- **Disclaimer Trust** – a surviving spouse may elect within 9 months of one's passing to accept estate property or disclaim for tax planning purposes in favor of a continuing trust.
- **By-Pass, Residuary, Family or Credit Shelter Trust** – avoids potential credit equivalent "use it or lose it" and the credited assets remain in a trust plan to benefit a surviving spouse and/or subsequent generation(s), often with discretionary powers and age attainment termination provisions.
- **Marital Trust** – offers numerous tax deferral and credit allocation elections until a second spouse's passing with control element options over eventual property ownership.
- **Life Insurance Trust** – useful for anticipated liquidity constraints, such as in a continuing family business, estate and gift tax efficiencies.
- **General, Limited and Special Powers of Appointment** – grant a "second look" at tax liability by inclusion, may also incentivize and adjust beneficiary support.
- **Dynasty Trust** – long term wealth preservation and asset protection.

A key benefit is that funded trusts will not be subject to potential delay and the expense of probate and they are not a matter of public record. The trust property continues to be securely managed by one's appointed trustee in support of beneficiary needs, the payment of expenses and important recordkeeping for tax filing requirements.

With significant state and federal tax law adjustments there are now important opportunities and challenges which may warrant checking in with your trust planning attorney. As a fiduciary, Van Liew Trust Company is chartered by the state of Rhode Island to serve in a corporate trustee capacity, providing objective continuity and experienced portfolio management in partnership with your attorney, accountant and family.

We would be delighted to meet with you to share comments about this article, or to review your portfolio in detail.

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