LEGACY BUILDER FINANCIAL SERVICES

WEALTH. PRIDE. PEACE OF MIND.

ESTATE PLANNING WHITEPAPER · OCTOBER 2026

The Permanent Exemption Era

How successful families protect, grow and hand over wealth now that the estate-tax cliff is gone, and what still matters.

Current law has no scheduled sunset. Congress can still change it.

A client education guide for

families with significant wealth

Prepared by Nanda Sringari
Legacy Builder Financial Services (LBFS) · Naples, Florida
610.476.1156 · nanda@thelbfs.com · www.thelbfs.com



WEALTH. PRIDE. PEACE OF MIND.

All figures are hypothetical illustrations. Federal law as of November 17, 2026. Please review with your own attorney and CPA.

EXECUTIVE SUMMARY

What a family with a large estate should know today

Federal estate-tax law changed in 2025. A lot of older advice, including the "use it or lose it by 2025" rush, no longer applies. Here is the short version.

$15.0M
Per-person federal exemption in 2026 ($30M for a married couple)

$15.48M
Per person in 2027 ($30.96M per couple), set by the IRS on Nov. 5, 2026

40%
Rate on everything above the exemption; generally due in cash nine months after the taxable death

Eight things to remember

- **The cliff is gone.** The One Big Beautiful Bill Act (signed July 4, 2025) removed the scheduled sunset and set a higher base starting in 2026, with annual inflation indexing. The scheduled drop to roughly $7M per person never happened.
- **"Permanent" means no scheduled sunset, not a promise.** Congress can change any tax law. The best plans work either way (Case Study 8).
- **Growth creates the exposure.** A $50M estate is about $19M over a couple's 2027 exemption today (roughly $7.6M of tax), if portability is elected. At 5% growth for 20 years, the projected tax is about $34.7M, because assets grow faster than the exemption is indexed.
- **Giving steadily through life helps quietly.** In Case Study 4, annual-exclusion gifts of $360,000 a year cut the projected tax by about $5.9M without touching the exemption. Bigger one-time gifts save more but cost more flexibility (Cases 2 and 5).
- **Gifting swaps one tax for another.** A gift removes future growth from the estate, but the recipient generally keeps your old cost basis instead of receiving a date-of-death basis (Case Study 6).
- **The practical problem is cash.** The tax is generally due nine months after the taxable decedent's death, which for a married couple is often the survivor's. If wealth sits in a business or real estate, families may have to sell on a deadline (Case Study 7).
- **Life insurance is one tool, not the plan.** Owned by an irrevocable trust, a survivorship policy can deliver generally income-tax-free cash when the tax is due. Judge it as liquidity, not as an investment (Case Study 3).
- **Plain-English guides are included.** Lifetime gifting, the GST exemption, SLATs, cash-value life insurance (with fact-checked real-world examples) and an Addendum on the ABCs of trusts follow the case studies.
- **Your attorney, CPA and trustee make the legal and tax decisions.** Our role is to help you understand the picture and ask better questions.

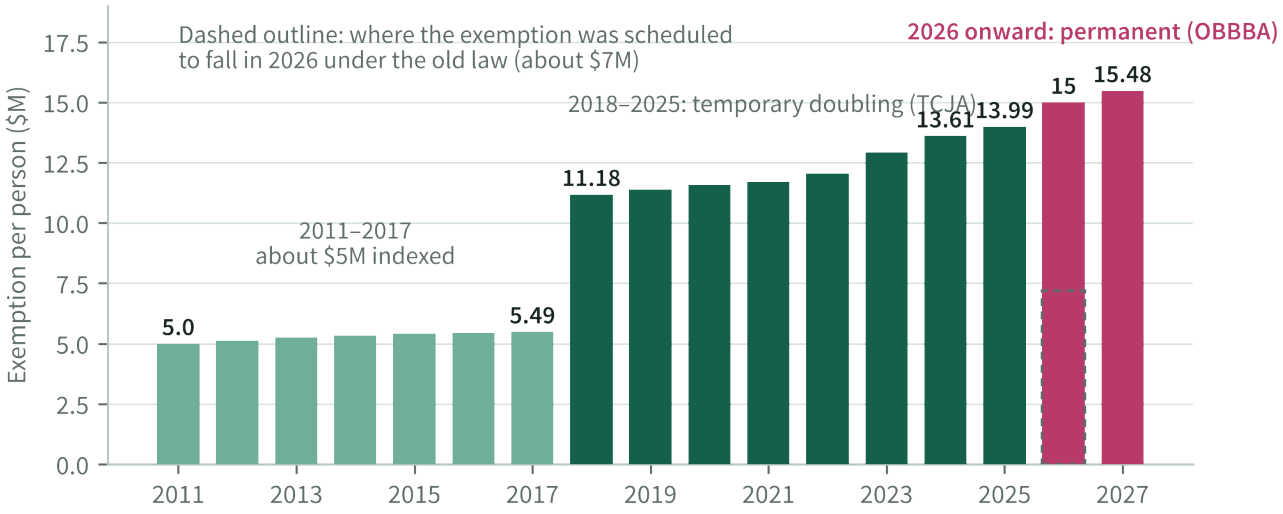
Why we rewrote the older guidance

Earlier versions of this topic told families to make large gifts before December 31, 2025. That advice assumed the exemption would be cut roughly in half. Since the 2025 law removed the sunset, there is no deadline. The question has shifted from "how fast?" to "is gifting right for us, and how?"

THE BASICS

How the federal transfer taxes work

Three taxes sit on top of each other. One shared exemption shelters most families from the first two.



Federal estate and gift tax exemption per person, 2011–2027. Sources: IRS, "What's New: Estate and Gift Tax" (2011–2026); IRS Rev. Proc. 2026-35 §3.44 (2027). The dashed outline for 2026 shows the roughly $7M the old law had scheduled; it is approximate.

Tax	What it taxes	Rate	2026	2027
Estate tax	Wealth that passes at death	40%	$15,000,000 per person	$15,480,000 per person
Gift tax	Large gifts during life (shares the same exemption)	40%	Same exemption; $19,000 annual exclusion per recipient	Same exemption; $20,000 annual exclusion per recipient
GST tax	Transfers to grandchildren or later generations, layered on top	40%	$15,000,000 (separate from the estate exemption, same amount)	$15,480,000
Married couples	Unlimited gifts and bequests between U.S.-citizen spouses are not taxed	n/a	$30,000,000 combined, only if portability is elected	$30,960,000 combined, only if portability is elected
Non-citizen spouse	Annual exclusion for gifts to a spouse who is not a U.S. citizen	n/a	$194,000	$201,000

Think of it as an orchard

The government does not take a share of the harvest every year. It takes 40% of the orchard above a certain size, in cash, generally nine months after the taxable death (for a married couple, often the survivor's). The exemption is the size of the orchard it leaves alone. The GST tax is an extra toll if the orchard skips a generation.

Three ideas worth knowing. Unified: every taxable gift you make during life uses part of the same $15M that would otherwise shelter your estate. **Portable, but only by election:** if the first spouse to die does not use their exemption, the survivor can claim the unused amount (DSUE) only by timely filing an estate-tax return (Form 706), even if no return is otherwise required. Estates that were not otherwise required to file generally have up to five years under Rev. Proc. 2022-32. **Frozen after the first death:** the DSUE amount is generally fixed at the first death and does not keep indexing for inflation. The GST exemption is not portable.

WHAT CHANGED

From cliff to permanence

The 2017 law doubled the exemption temporarily. The 2025 law removed the expiration date and raised the base.

	What families were told (before July 2025)	What the law says now (November 2026)
Exemption in 2026	About $7 million per person after a scheduled drop	**$15,000,000** per person (OBBBA §70106)
Expiration	Sunset on December 31, 2025	**No sunset.** Indexed for inflation each year
2027 figure	Not applicable	**$15,480,000** per person (Rev. Proc. 2026-35, §3.44)
Planning pressure	“Use it or lose it” by end of 2025	No deadline. Planning is about goals, taxes on growth and basis
Tax rate	40%	**40% (unchanged)**
Step-up in basis at death (§1014)	Available	**Unchanged.** Still available for assets held until death
Portability of unused exemption	Available	**Unchanged.** Still requires timely filing of Form 706

Who actually pays?

Because the exemption is large, very few families owe federal estate tax. Policy researchers estimate that fewer than one in a thousand estates pay it. The Tax Policy Center estimated about 6,200 estate-tax returns filed for 2021 decedents, of which about 3,500 were taxable. The tax is concentrated at the top: the Congressional Research Service reports that roughly 59% of the tax comes from estates of $50 million or more.

> **Permanent is not the same as guaranteed**
> The law has no scheduled sunset, but a future Congress and President could lower the exemption again, as earlier ones raised and lowered it many times. This paper does not predict that. It shows that a plan built around today’s rules and a plan built to survive a change can both be useful, and it tests the difference in Case Study 8.

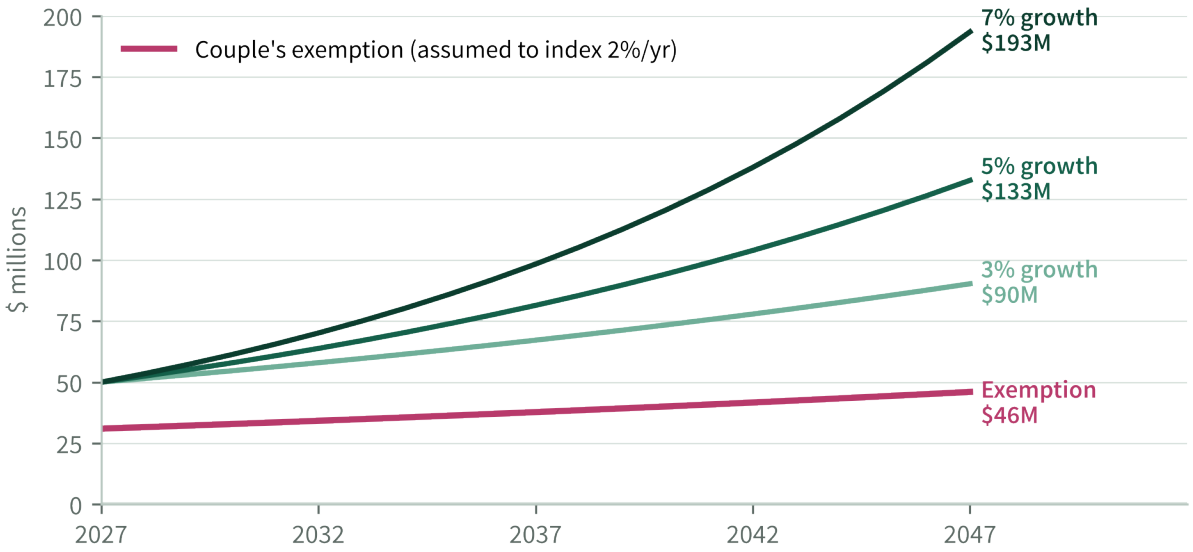
More than one state?

Federal tax is only part of the picture. As of November 2026, twelve states and the District of Columbia levy their own estate tax, and five states levy an inheritance tax (Maryland has both), often with thresholds far below the federal level. Which state taxes apply can depend on where you are legally resident and where real estate or business property is located. Your attorney should model every state that touches the family’s assets, and confirm domicile.

THE EXPOSURE MODEL

Why growth, not today's balance, creates the tax

Exemptions are indexed to inflation. Many appreciating assets may grow faster than that.



A $50M estate growing at 3%, 5% and 7% against a couple's exemption starting at $30.96M and assumed to index at 2% per year. Hypothetical illustration.

Projected federal estate tax at the second death in 20 years (2047), with no planning

Starting estate (2027)	3% growth	5% growth	7% growth
$20M	No tax	$2.8M	$12.6M
$30M	$3.3M	$13.4M	$28.0M
$40M	$10.5M	$24.1M	$43.5M
$50M	$17.7M	$34.7M	$59.0M
$60M	$24.9M	$45.3M	$74.5M

Assumes both spouses die in 2047, full use of both exemptions through a timely portability election, no charitable gifts and no spending. Same-year deaths maximize the combined indexed exemption; Case Study 1 shows a ten-year gap. Growth is pre-tax and illustrative; it is not a forecast.

How to read this table

A family with $20M to $30M may owe nothing for decades, or nothing at all, if growth is modest. A family at $40M to $60M faces a modeled federal estate-tax liability under these assumptions that grows over time. The only way to know where you sit is to put in your own numbers, which is why the first step is a short, private snapshot with your advisors.

CASE STUDY 1

No lifetime gifting: portability preserved

A hypothetical couple has $50 million in 2027, growing 5% a year. They make no lifetime gifts and do no transfer-tax planning, but a timely Form 706 is filed after the first death.

Both pass away in 2047. Their estate has grown to about $132.7M. Their combined exemption, indexed at an assumed 2% a year, has grown to about $46.0M. Everything above that is taxed at 40%.

1

No lifetime gifting: portability preserved

$50M in 2027 growing 5% a year. No gifts. Both spouses die in 2047; a timely Form 706 is filed at the first death.

	INSIDE ESTATE	OUTSIDE ESTATE
Net worth at second death	$132.7M	
Couple's exemption (2047)	$46.0M	
Lifetime gifts	—	—
Taxable amount	$86.7M	
Federal estate tax (40%)	– $34.7M	
Subtotals	$98.0M	$0

Total to heirs **$98.0M**

Hypothetical. Couple with $50M in 2027; both die in 2047; 5% pre-tax growth; exemption indexed 2%/yr; 40% rate; no state tax. Not a forecast. Assumes both die in the same year and a timely Form 706 preserves the first spouse's unused exemption.

Portability is an action, not a default

This case assumes a timely Form 706 is filed after the first spouse's death. Without that filing, the survivor may lose the deceased spouse's unused exemption and the eventual tax could be materially higher.

Sensitivity: deaths ten years apart

If the first spouse dies in 2037 and the survivor in 2047, the first spouse's unused exemption (DSUE) is generally fixed at about $18.9M and stops indexing. The combined exclusion is then about $41.9M, not $46.0M, and the projected tax rises to $36.3M from $34.7M. With no timely Form 706, only the survivor's own $23.0M is available and the tax is about $43.9M. Assumes the first estate passes to the survivor under the marital deduction. GST exemption is not portable.

Assumptions: couple; $50M in 2027; 5% annual pre-tax growth; exemption $15.48M per person in 2027, indexed 2% a year thereafter; 40% rate; no state tax; no charitable or marital deduction timing effects. Headline case: both die in 2047 and a timely Form 706 preserves the first spouse's exemption.

CASE STUDY 2

A basic plan: use the exemption early

The same $50 million. The couple gifts their full combined 2027 exemption to a properly drafted irrevocable trust and keeps the rest.

They transfer $30.96M in 2027 (their combined exemption) to a dynasty-style trust that allocates their GST exemption. Growth after the gift happens outside their estate. By 2047 the trust has grown to $82.1M and the assets they kept are worth $50.5M. Each spouse gives about $15.48M (or the couple properly elects gift splitting), a gift-tax return (Form 709) is filed, and each donor separately allocates GST exemption.

2

A basic plan: use the exemption early

Gift the full combined 2027 exemption ($30.96M) to an irrevocable trust. Keep the rest.

	INSIDE ESTATE	OUTSIDE ESTATE
Net worth at second death	$50.5M	
Couple's exemption (2047)	$46.0M	
Value of the 2027 gift at death		$82.1M
Taxable amount (incl. 2027 gift)	$35.5M	
Federal estate tax (40%)	– $14.2M	
Subtotals	$36.3M	$82.1M

Total to heirs **$118.5M**

Hypothetical. Couple with $50M in 2027; both die in 2047; 5% pre-tax growth; exemption indexed 2%/yr; 40% rate; no state tax. Not a forecast.

What changed from Case 1?

	Case 1	Case 2	Difference
Federal estate tax	$34.7M	$14.2M	**$20.5M less**
Total to heirs	$98.0M	$118.5M	**$20.5M more**

Why the improvement happens, and what it costs

The gift uses exemption you were going to have anyway, then lets 20 years of growth ($51.2M here) occur outside the estate. Three real costs: the gift is irrevocable; the trust's assets keep your original cost basis instead of getting a step-up at death (Case Study 6); and giving away about 62% of your net worth in this example may not suit your own spending needs. A Spousal Lifetime Access Trust (SLAT) can keep indirect access for one spouse, but has its own risks (divorce, death of the beneficiary spouse, and the reciprocal-trust doctrine if both spouses fund SLATs).

Assumptions: same as Case Study 1. Gift made at the start of 2027, each spouse giving one exemption. Trust growth 5% pre-tax. Gift and estate tax computed on the unified base; no gift tax paid because the gift is within the exemption. Illustrative, not tax advice.

CASE STUDY 3

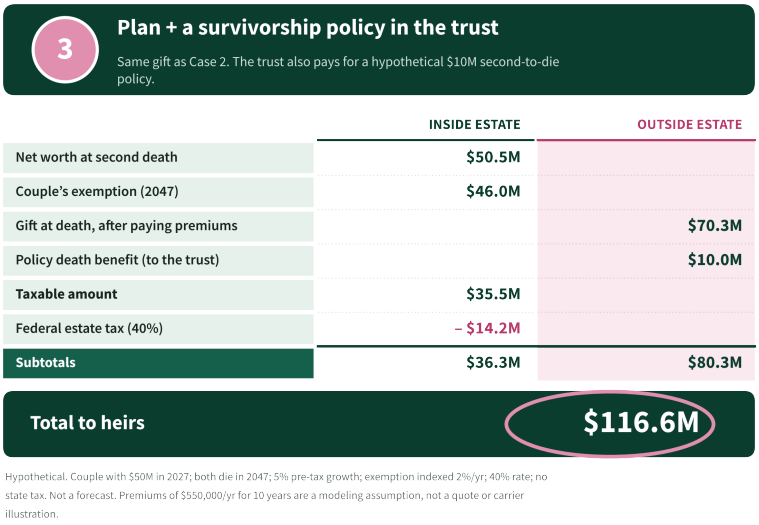
Adding a survivorship policy: a liquidity tool, not a return engine

The same plan as Case 2, and the trust also buys a hypothetical $10 million second-to-die life insurance policy.

The trust, not the couple, applies for and owns the policy so the proceeds may stay outside the estate if the trust is properly structured. Hypothetically, premiums are $550,000 a year for 10 years ($5.5M), paid from the trust.

Modeling assumption, not a quote

The $550,000 premium and $10 million death benefit are modeling assumptions only. They are not a quote, carrier illustration, guarantee or representation that coverage is available at that cost. Actual premiums and benefits depend on age, health, underwriting, ownership, product and carrier-approved illustrations.



Hypothetical. Couple with $50M in 2027; both die in 2047; 5% pre-tax growth; exemption indexed 2%/yr; 40% rate; no state tax. Not a forecast. Premiums of $550,000/yr for 10 years are a modeling assumption, not a quote or carrier illustration.

An honest comparison

In this example the family ends with $116.6M, which is $1.8M **less** than Case 2, because the $5.5M of premiums, had it stayed invested at 5%, would have grown to about $11.8M. Simple comparisons set the $10M benefit against the premiums without that growth and show a large gain; the fair comparison includes it. What the policy buys is certainty and cash timing: $10M of the roughly $14.2M tax bill arrives exactly when the bill is due, without selling a business or property. Because the trust in Case 2 already holds about $82.1M by 2047, the policy addresses timing and certainty rather than an absolute inability to pay.

Second death in…	10 years	15 years	20 years	25 years	30 years
Death-benefit IRR on the premiums	10.6%	5.7%	3.9%	2.9%	2.4%
Premiums if invested at 5%	$7.3M	$9.3M	$11.8M	$15.1M	$19.3M
Policy advantage vs. investing at 5%	+$2.7M	+$0.7M	–$1.8M	–$5.1M	–$9.3M
Policy advantage vs. investing at 4%	+$3.1M	+$1.6M	–$0.2M	–$2.4M	–$5.0M

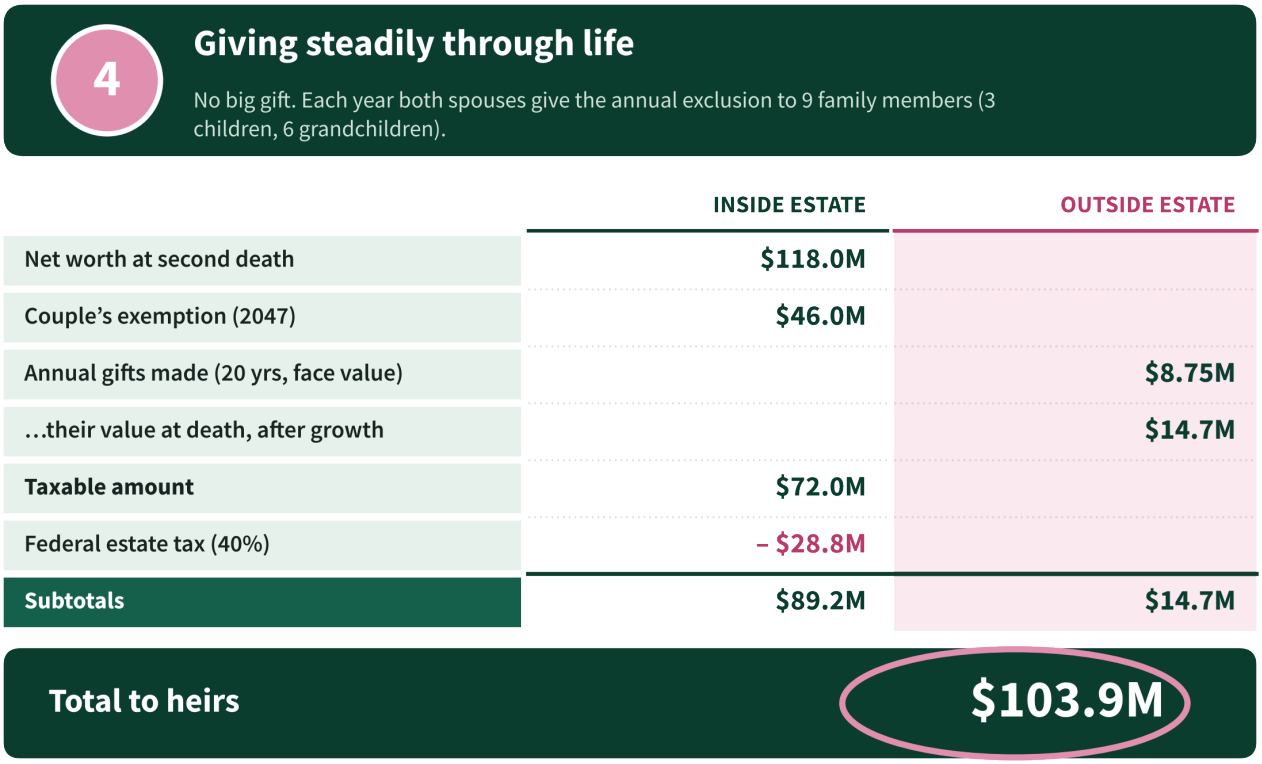
Death-benefit IRR assumes all scheduled premiums are paid, the policy remains in force and the full assumed death benefit is paid in the stated year. It is not an investment return or a probability-weighted outcome. Hypothetical $10M benefit; not a quote or guarantee. Death benefits are generally income-tax-free; estate-tax treatment depends on proper trust ownership and the three-year rule for transferred policies. Loans and withdrawals reduce the death benefit and may be taxable if the policy lapses or is a MEC.

CASE STUDY 4

Giving steadily through life

No large gift and no use of the exemption. Just the annual exclusion, used every year, for as long as the family lives.

Each year, both spouses give the annual-exclusion amount ($20,000 each in 2027, indexed at an assumed 2% a year) to each of nine family members: three children and six grandchildren. That is $360,000 in the first year and $8.75M over 20 years. Because the gifts stay within the annual exclusion, they use none of the lifetime exemption and need no gift-tax return (unless spouses elect to split gifts, which requires Form 709). Growth on every dollar given happens in the recipients' hands, not in the estate.



Hypothetical. Couple with $50M in 2027; both die in 2047; 5% pre-tax growth; exemption indexed 2%/yr; 40% rate; no state tax. Not a forecast. Gifts: 2 donors x 9 recipients x $20,000 (2027), indexed 2%/yr; uses no exemption.

	Case 1: no lifetime gifting	Case 4: steady gifts	Difference
Federal estate tax	$34.7M	$28.8M	**$5.9M less**
Total to heirs	$98.0M	$103.9M	**$5.9M more**

Why small, steady gifts add up

Gifts of $8.75M (face value) grow to about $14.7M outside the estate, and the estate also avoids tax on that growth. At a 40% rate that is real money, with no trust required and no exemption used. Limits: the amounts are small next to a $50M estate, recipients take your cost basis on appreciated gifts, and gifts cannot be taken back. Ways to give more without using exemption: tuition and medical bills paid directly to the school or provider have no dollar limit (§2503(e)); a 529 plan can be front-loaded with five years of annual exclusions at once (Form 709).

Assumptions: 2 donors x 9 recipients; $20,000 per gift in 2027, indexed 2%/yr; gifts at the start of each year, 2027 through 2046; other assumptions as Case Study 1. Annual-exclusion gifts must be present-interest gifts; gifts to trusts may require properly administered withdrawal rights. The 2% yearly increase is an assumption; the actual exclusion is inflation-indexed and rounded. Illustrative only.

CASE STUDY 5

The layered plan: a big gift and steady gifts together

Most families do not choose one tool. This case combines the steady gifts of Case 4 with one spouse's 2027 exemption gift to a trust.

In 2027 one spouse gives $15.48M (that spouse's full exemption) to an irrevocable trust, and the annual gifts from Case 4 continue. The trust grows to $41.1M by 2047. The other spouse's exemption is not used by this gift (a per-donor conclusion that depends on proper Form 709 reporting and, later, a portability election where relevant). The couple keeps about $34.5M of the original $50M for their own lives, and the family still has the other spouse's exemption available for later decisions or law changes.

5 The layered plan

Steady annual gifts, plus one spouse's 2027 exemption ($15.48M) to a trust. Keeps $34.5M of the starting $50M.

	INSIDE ESTATE	OUTSIDE ESTATE
Net worth at second death	$76.9M	
Couple's exemption (2047)	$46.0M	
Exemption gift to trust, at death		$41.1M
Annual gifts, at death		$14.7M
Taxable amount (incl. 2027 gift)	$46.4M	
Federal estate tax (40%)	– $18.5M	
Subtotals	$58.3M	$55.8M

Total to heirs **$114.1M**

Hypothetical. Couple with $50M in 2027; both die in 2047; 5% pre-tax growth; exemption indexed 2%/yr; 40% rate; no state tax. Not a forecast.

	Case 1	Case 4	Case 2	Case 5
Federal estate tax	$34.7M	$28.8M	$14.2M	**$18.5M**
Total to heirs	$98.0M	$103.9M	$118.5M	**$114.1M**
Wealth kept at start of 2027	$50.0M	$50.0M	$19.0M	**$34.5M**

The trade-off in one line

Case 5 saves about $16.1M of tax versus Case 1 while keeping more of the starting wealth in the family's hands than Case 2 ($34.5M versus $19.0M). It does not beat Case 2 on total to heirs, because Case 2 moves more wealth out of the estate. The right size of gift is a question of how much the family can safely give away and still live well, not of maximizing a table.

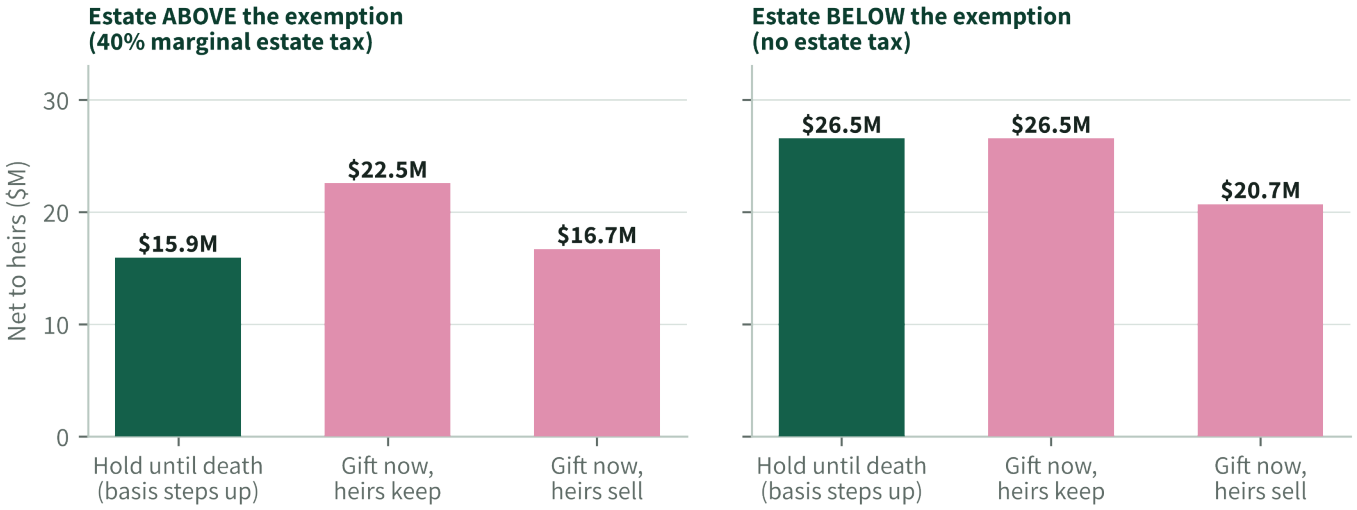
Assumptions: as Case Study 1 and Case Study 4. The 2027 gift uses part of one spouse's exemption at gift-date value; no gift tax is due. Illustrative only.

CASE STUDY 6

Gift or hold? The cost-basis trade-off

The estate tax is not the only tax in the picture. When appreciated property is gifted, the recipient generally takes the donor's carryover basis. Property acquired from a decedent generally receives a basis equal to its date-of-death value, subject to important exceptions.

Suppose a family owns an asset worth $10M today with a cost basis of $2M. It grows 5% for 20 years to $26.5M. We compare holding it until death with gifting it now, using an assumed 23.8% federal capital-gains rate (20% plus the 3.8% net investment income tax), which excludes state tax, depreciation recapture and special capital-gain rates, if the heirs sell.



Net to heirs under each approach. Hypothetical; excludes state taxes. Gifted amount of $10M counts against the exemption at its gift-date value.

	Estate above exemption	Estate below exemption
Hold until death	$15.9M (estate tax $10.6M; no capital gain)	$26.5M (no estate tax; basis steps up)
Gift now; heirs sell	$16.7M (estate tax $4.0M; capital gains tax $5.8M)	$20.7M (capital gains tax $5.8M)
Gift now; heirs keep	$22.5M (estate tax only)	$26.5M (no tax while held)

What this means in plain English

If your estate is well above the exemption, gifting a highly appreciated asset still helps, though much of the benefit disappears if the heirs sell soon (here $16.7M versus $15.9M). If your estate is below the exemption, holding until death is clearly better: gifting would cost the family about $5.8M in capital-gains tax if they sold. This is why advisors now choose *which* assets to gift (cash, assets with little gain, or assets expected to grow fastest) and which to keep (assets with large embedded gains). Your CPA should know the basis of each major holding.

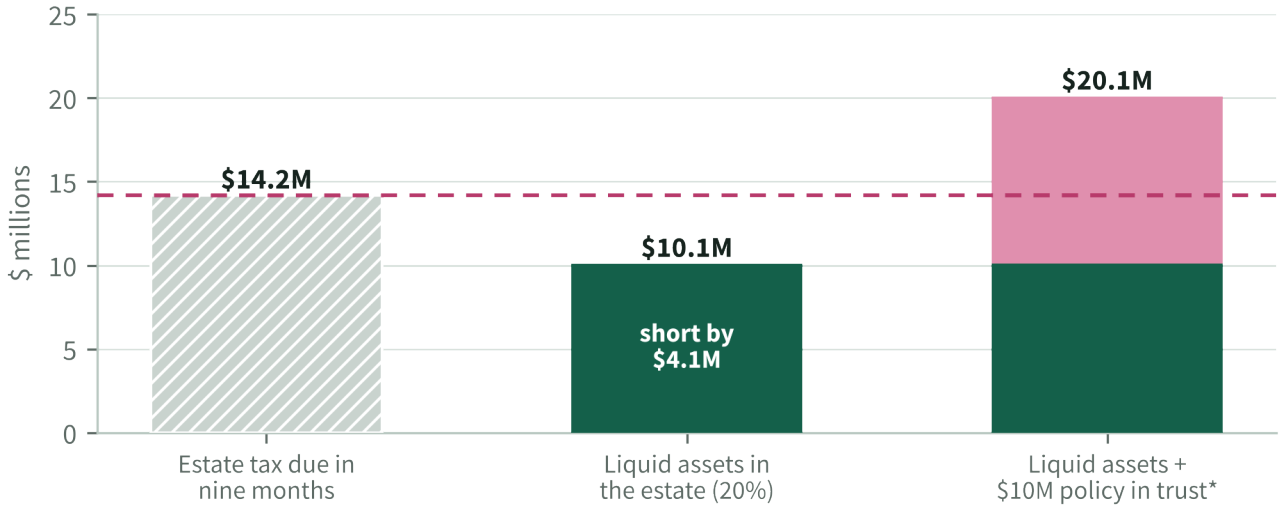
Exceptions to the date-of-death basis rule include income in respect of a decedent, special-use valuation and property gifted to a decedent within one year of death. Planning tools such as trusts that give the grantor the power to swap assets of equal value can sometimes restore a step-up. Whether any works for a given family is a legal and tax question for your attorney and CPA.

CASE STUDY 7

The liquidity squeeze: tax due in nine months

A large estate is not the same as a large bank balance. Family businesses and real estate are valuable but slow to sell.

Take the Case 2 couple's retained estate of $50.5M and the $14.2M tax bill that follows. Suppose 80% of the retained estate is a family business and real estate in more than one state, leaving about $10.1M in liquid assets. The tax is generally due about nine months after the second death in this example.



*Hypothetical $10M policy owned by an irrevocable trust. The trust cannot simply pay the estate's tax; it commonly lends to the estate or buys assets from it, as set up by your attorney. Percentages are an assumption.

Your options when the bill arrives

Option	How it works	Trade-off
Pay from the portfolio	Use liquid assets already in the estate	Simple. Works only if liquid assets are enough, and depletes capital the family might have kept invested.
Sell assets on a deadline	Sell the business interest or property	Buyers know a seller has a deadline, so prices can suffer. Family may lose what you wanted it to keep.
§6166 installment payment	If a closely held business is over 35% of the adjusted gross estate, tax on that portion can generally be paid in up to ten annual installments, after a deferral of up to five years of interest-only payments	Eligibility is strict and interest continues to accrue. Your attorney and CPA decide. It does not help with the non-business share.
Borrow	Bank loan secured by assets	Interest cost and lender terms at a stressful time.
Trust-owned life insurance	Policy owned by an irrevocable trust pays cash at the second death	Costs premiums and requires insurability. Does not make sense for everyone; compare to the alternatives above.

The house sold in a month

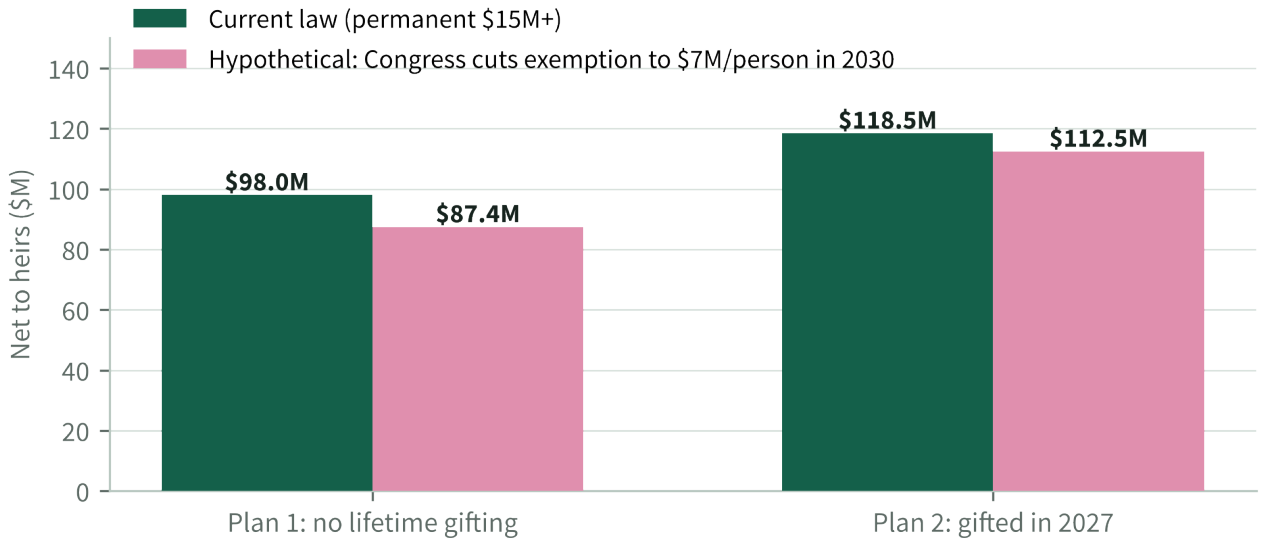
Imagine having to sell your house in 30 days because a tax bill came due. That is what an illiquid estate can face. The point of liquidity planning is not to avoid the tax, only to make sure the family chooses when and what to sell.

CASE STUDY 8

Stress test: what if the law changes?

This is not a forecast. It shows how each plan behaves if a future Congress reduced the exemption.

Suppose, hypothetically, Congress cut the exemption to $7M per person in 2030 and indexed it at 2% from there. By 2047 a couple's exemption would be about $19.6M. Gifts you made earlier are protected by the "anti-clawback" rule (Treas. Reg. §20.2010-1(c)), which lets the estate use the higher of the exemption at death or the amount excluded from tax by prior gifts. That rule is subject to special exceptions as applied to each donor's gifts, and your attorney should confirm how it applies.



	Current law	Hypothetical cut in 2030	Change
Plan 1: no lifetime gifting	$98.0M	$87.4M	–$10.6M
Plan 2: gifted in 2027	$118.5M	$112.5M	–$6.0M

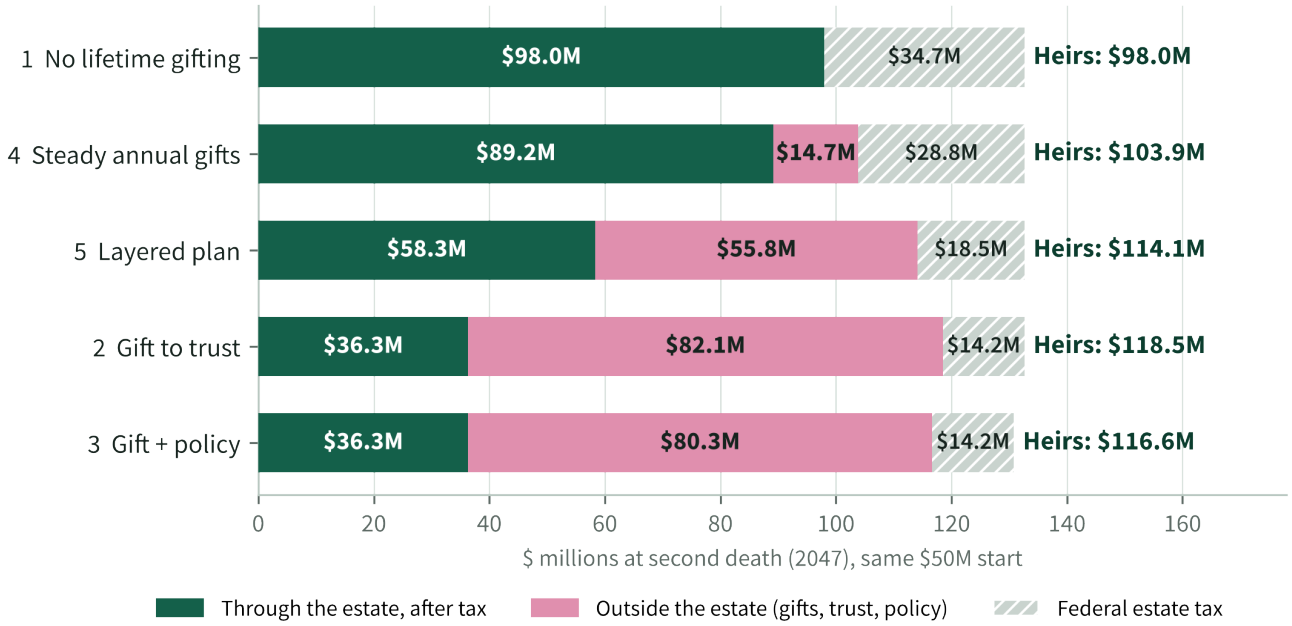
What this teaches

The family that acted keeps most of its advantage even if the law gets tougher: $25.0M ahead in the hypothetical cut versus $20.5M ahead under current law. The family that made no gifts has no protection against either outcome. That is the argument for a plan that works either way. If the law is made even more generous, the family that gifted still keeps what it gifted, but gave up some flexibility; that is the cost of irrevocability.

SIDE BY SIDE

All five plans on one page

Same family, same $50 million, same assumptions. Only the planning changes.



This is a transfer-tax model, not a total-return forecast. It applies the same gross return to estate and trust assets and does not model income taxes, investment fees, spending or differences in trust taxation.

Case	Strategy	Federal tax	To heirs (2047)	Access	Basis	Irrevocable?
1	No lifetime gifting	$34.7M	$98.0M	Full control	Date-of-death basis generally applies	No
4	Steady annual-exclusion gifts	$28.8M	$103.9M	Gifted dollars are gone	Carryover basis on gifts	Each gift is final
5	Layered: steady gifts + one exemption gift	$18.5M	$114.1M	Keeps about $34.5M; trust access is limited	Carryover basis on gifted assets	Yes, for the trust gift
2	Gift full 2027 exemption to trust	$14.2M	$118.5M	Keeps about $19.0M; trust access is limited	Carryover basis on gifted assets	Yes
3	Case 2 + survivorship policy	$14.2M	$116.6M	As Case 2, less premiums paid	Carryover basis; proceeds generally income-tax-free	Yes
6–8	Basis, liquidity, stress test	see pages	see pages			

How to read this

Every plan in this paper shows a lower transfer tax than Case 1 in this example, but the table is not a ranking. The best plan for a family balances tax savings against flexibility, liquidity, income-tax basis, and the family's own spending needs. Results depend entirely on the assumptions on the next page.

LIFETIME GIFTING, MADE SIMPLE

How giving now can lower the tax later

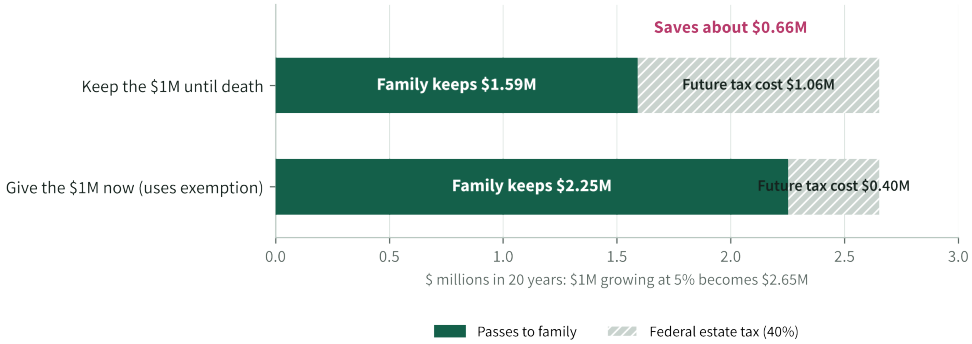
The idea fits in one picture: the tax is charged on what you own at death, so what you have already given away, and everything it grows into, is not in the pile.

The apple-tree picture

Estate tax is charged on the whole orchard on the day you die. If you give a young tree to your family now, every apple that tree grows over the next 20 years belongs to them, and none of those apples are counted in your orchard. You pay tax (if any) only on the value of the young tree on the day you gave it.

A $1 million example

Assume your estate will be above the exemption at death, so every extra dollar is taxed at 40%. You have $1 million you will not need. At 5% growth it becomes $2.65M in 20 years. If you keep it, the tax is $1.06M. If you give it now, the gift is counted at its value on the day you gave it ($1 million), so the 40% applies only to that, and only because it uses part of your exemption. The growth escapes the estate.



Hypothetical: $1M at 5% a year for 20 years, 40% rate, estate already above the exemption, no state tax. Not a forecast. The tax saved is 40% of the growth ($1.65M), about $0.66M. The chart shows the future transfer-tax cost attributable to the exemption used; capital-gains tax is not modeled.

Three ways to give

Way to give	How much	What to know
Annual exclusion gifts	$19,000 (2026) or $20,000 (2027) per person, to each recipient, each year	Uses none of your exemption and generally needs no gift-tax return. Together, spouses can give $40,000 to one recipient in 2027 if each spouse makes a $20,000 present-interest gift. If one spouse makes the gift and the couple elects to treat it as split between them, Form 709 filing requirements apply.
Direct tuition and medical payments	No dollar limit	Must be paid straight to the school or the medical provider, not to the person. Room and board do not count.
Larger gifts using your lifetime exemption	Up to $15,000,000 per person in 2026 and $15,480,000 in 2027, in total over your life	No tax is due now, but a gift-tax return (Form 709) is filed. Often made into a trust. This is the “use it” step in Cases 2 and 5.

Why steady gifts matter, and what to weigh

In Case Study 4, small annual gifts alone cut the projected tax by about $5.9M. Gifts cannot be taken back, the recipient takes your original cost basis (Case Study 6), and you should only give what you will not need. Some states treat gifts differently, so ask your attorney.

GENERATION-SKIPPING TRANSFER (GST) TAX

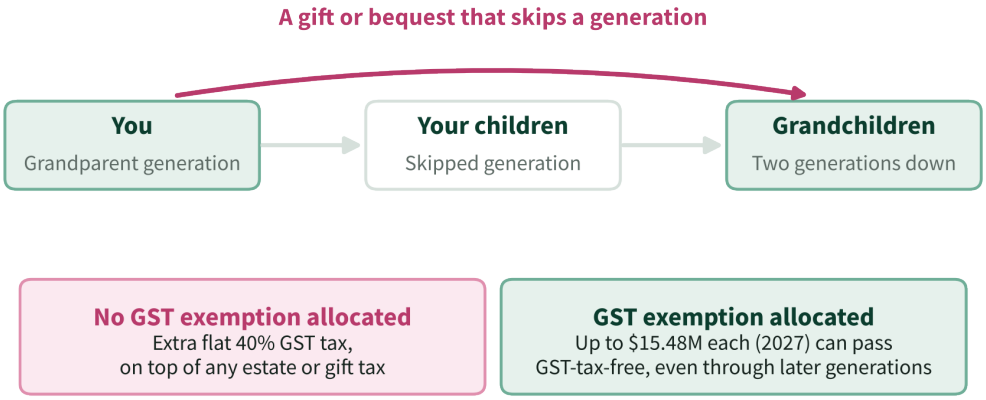
The second tax on gifts that skip your children

Federal estate tax applies to taxable transfers at death. The GST tax is a separate backstop that can apply when wealth passes to a "skip person," such as a grandchild, or remains in trust beyond the child's generation. For a fully nonexempt transfer, the current GST rate is 40%; a partially exempt trust may have a lower effective rate.

40%
Top GST rate on a fully nonexempt transfer; actual liability depends on the inclusion ratio

$15.48M
GST exemption per person in 2027 ($15M in 2026), equal to the estate exemption

Not portable
A spouse's unused GST exemption cannot be passed to the survivor



What counts as "skipping"? A gift or bequest to a grandchild or to someone more than 37½ years younger, or to a trust that benefits only such people. A direct gift to a grandchild whose own parent has died is generally not treated as a skip.

How the exemption works

- **Everyone gets their own GST exemption.** It is the same dollar amount as the estate exemption, but it is a separate allowance. You allocate it to a gift or a trust, usually on Form 709 or in the trust documents. Your attorney decides how.
- **Use it or lose it.** Unlike the estate exemption, a spouse's unused GST exemption is not portable. A couple who leaves everything to each other can waste the first spouse's exemption.
- **It can last for generations.** A trust with GST exemption allocated (a "dynasty trust," see the Trust ABCs addendum) can keep growing for children, grandchildren and beyond without further estate or GST tax at each step, subject to state law limits on how long a trust can last.
- **Important exceptions:** qualifying direct annual-exclusion gifts and tuition or medical payments made directly to the provider can be exempt from GST tax. Gifts through trusts require additional analysis: the trust must satisfy IRC §2642(c), or GST exemption must be properly allocated.

A simple example

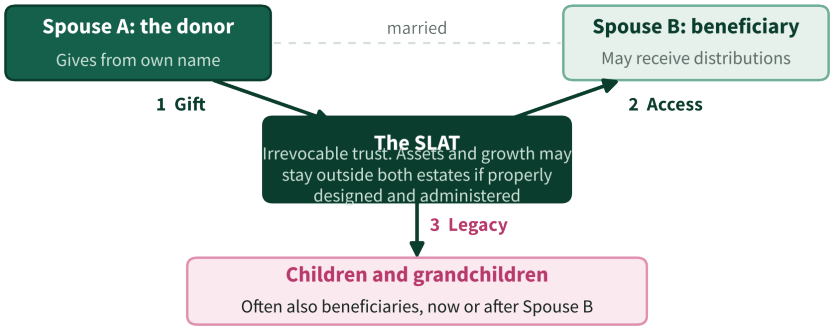
Leaving $5 million outright to a grandchild with no GST exemption applied could mean roughly $2 million of GST tax (40%) on top of any estate tax. If the same $5 million goes into a trust with GST exemption allocated, the GST tax can be avoided and the trust can keep growing for the whole family line.

Simplified for education. GST rules have special cases (taxable distributions, taxable terminations, automatic allocation rules). Your attorney and CPA decide how they apply.

SPOUSAL LIFETIME ACCESS TRUSTS

Should you consider a Spousal Lifetime Access Trust (SLAT)?

A SLAT lets one spouse make a large gift out of the estate while keeping some indirect access through the other spouse. It is one of the most widely used lifetime-gift tools for couples.



How a SLAT works

- One spouse (the donor) creates an irrevocable trust and gives it assets that are in the donor's own name. Jointly owned property should not be used.
- The other spouse is a beneficiary and can generally receive distributions if the couple needs them. Children and grandchildren are usually beneficiaries too, now or after the second spouse's death.
- The gift uses part of the donor's exemption. After that, the assets and future growth may remain outside both estates if the trust is properly designed and administered. It is usually a "grantor trust," so the donor pays the trust's income tax and the trust grows undiminished.

Why couples like it	What can go wrong
Growth leaves the estate while the family keeps a back door through the beneficiary spouse	**If the beneficiary spouse dies first,** the donor loses that indirect access (the children keep benefiting)
Helpful in states with their own estate tax, even if the federal tax is not a concern	**Divorce:** trusts often end the spouse's interest on divorce, which also ends the donor's indirect access
Income tax paid by the donor leaves more inside the trust to grow	**Two SLATs for each other** can be treated as if each spouse gave to themselves (reciprocal-trust rule); they must be meaningfully different
Can be built with flexibility, such as an independent "trust protector" who can adjust terms if the law or family changes (these powers depend on governing law and drafting)	**Spouse as trustee:** distributions to themselves must stay within health, education, maintenance and support, or the assets can be pulled back into their estate

Is it still relevant now that the exemption is permanent?

Yes, for different reasons than before. The scheduled drop that drove last-minute SLAT planning is gone, but a SLAT still moves growth outside the estate, helps in states with their own estate tax, and keeps flexibility. **Fits best:** secure marriage, assets in one spouse's name the couple will not need, estate likely above the exemption. **Probably not:** you may need every dollar, the marriage is uncertain, or the estate is well below the exemption. Case Study 5 shows the kind of gift a SLAT can hold.

A SLAT is complex and must be drafted by your own estate attorney. Educational only; not a recommendation.

ANOTHER OPTION ON THE TABLE

Cash-value life insurance: one dollar, several jobs

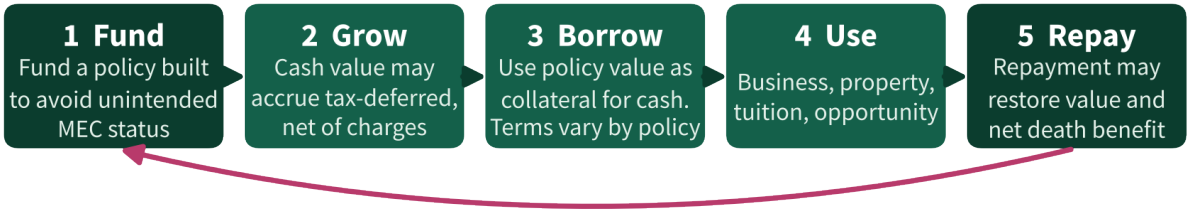
Wealthy families rarely buy life insurance for the death benefit alone. They use a well-structured policy as a place where capital can grow, may be accessed under the policy's terms, and can pass to heirs.

A note on the name

You may hear this called the "Rockefeller method" or "infinite banking." The Infinite Banking Concept was developed by insurance agent R. Nelson Nash in the 1980s and described in his 2000 book *Becoming Your Own Banker*. The Rockefeller label is a popular marketing nickname. We found no evidence the Rockefeller family used it (see the fact-check page), so we do not rely on it.

1 GROW	2 ACCESS	3 PROTECT + PASS ON
Cash value can build tax-deferred inside a §7702-qualified policy	Loans against the cash value can fund a business, property or an opportunity	A death benefit, generally income-tax-free, arrives when the family needs it
Credits depend on the policy; not guaranteed unless contractual	*Loans accrue interest and reduce the death benefit if not repaid*	*Owner and structure decide whether it counts in the taxable estate*

How the strategy works



The cycle can repeat. Unpaid loans and accrued interest reduce the death benefit.

If a policy lapses or is surrendered with a loan outstanding, taxable gain may be recognized, even if little or no cash is received.

- **What "7702" means.** Internal Revenue Code §7702 defines life insurance for tax purposes. A "7702 plan" is cash-value life insurance (whole life or indexed universal life) designed to qualify under it and funded generously for cash value, but not so fast that it becomes a *modified endowment contract* (MEC, §7702A), which changes how loans are taxed.
- **How access works.** The insurer lends against the cash value, which stays in the policy as collateral. Loans from a non-MEC policy are generally not taxable while the policy stays in force. How the borrowed portion is credited, and the loan rate, depend on the policy.

What "wealth multiplication" does and does not mean

It means the same dollars doing several jobs at once: growth, access and a death benefit. It is not a promised multiple. Results depend on the carrier, the design, how much and how long you fund it, your health, and how you use loans. Figures in any illustration are hypothetical.

CASH-VALUE LIFE INSURANCE

Who it fits, what to weigh and how it fits an estate plan

A good policy for one family is a poor choice for another. These are the questions that decide it.

Often a fit when…	Think twice when…
You can fund it steadily for 10 to 15 years or more and will hold it for life	You may need the money in the first few years: early cash value is often below the premiums paid, and surrender charges can apply
You have emergency savings and are already using lower-cost tools such as an employer retirement match	Those cheaper steps are still open and the money would be better used there first
You are healthy enough to qualify at a reasonable cost	Health or age would make the cost of insurance high
You value liquidity and legacy together: business owners, real-estate investors, high earners	Your main goal is maximum market growth; credits and dividends are limited and not guaranteed
You will borrow with discipline and repay	You might borrow without repaying, which risks a lapse

What can go wrong

- **MEC status.** Overfunding past the §7702A limits makes loans and withdrawals taxable gains-first, with a 10% penalty before age 59½ in most cases.
- **Lapse with a loan.** If the policy ends with a loan outstanding, the loan can become taxable income, possibly with no cash to pay the tax.
- **Illustrations are not promises.** Whole-life dividends and indexed credits are not guaranteed, charges and caps can change, and regulators limit how much an indexed illustration may show. Always compare the guaranteed column with the projected one.
- **Costs and carrier risk.** Insurance charges, loan interest (generally not deductible), and the claims-paying ability of the insurer all matter.
- **Replacing a policy.** Swapping an existing policy can restart surrender charges and the contestability period and can give up existing guarantees. Compare an in-force illustration of the old policy before any change.

Where it fits in an estate plan

- **Ownership matters.** A policy you own is generally counted in your taxable estate at death (IRC §2042). A policy owned by an irrevocable trust (ILIT) generally is not, but then access to cash value runs through the trust, and if the insured dies within three years after transferring incidents of ownership in an existing policy, the proceeds may be pulled back into the taxable estate (§2035).
- **Two different jobs.** Case Study 3 uses a survivorship policy purely to supply cash for estate tax. The strategy on the previous page emphasizes lifetime access. Some families use both, for different purposes.

Five questions to ask about any illustration

(1) What do the guaranteed numbers look like, not just the projected ones? (2) How is a loaned amount credited and what is the loan rate? (3) What is the surrender-charge schedule? (4) How far is the design from MEC status? (5) What happens if the assumed return is two points lower?

REAL-WORLD EXAMPLES, FACT-CHECKED

Who has used cash-value life insurance, and what the record actually shows

Stories sell this idea. We checked each one and graded how well it holds up.

Who	What has been reported	How well documented	Caution
Walt Disney (early 1950s)	Borrowed against his life insurance to help fund early Disneyland work after other financing fell short. Sources say $50,000 (a bank loan secured by the policy) or $60,000 (a 1954 loan agreement)	**Well reported;** details differ by source	The amount and lender are described differently. It was a loan against a permanent policy decades before §7702 existed (1984).
Banks (today)	Thousands of U.S. banks own cash-value life insurance on employees: as of Q3 2020, about two-thirds of banks held it, with $182.2 billion of cash value; as of June 30, 2025, 2,963 banks reported holding it (OneDigital citing S&P Global). The figures come from different sources and dates and are not directly comparable	**Documented** in regulatory filings and interagency guidance	A corporate benefit-funding use, not a family loan strategy. It shows institutions treat these policies as long-term assets, not just death benefits.
The Rockefellers	Often cited in “Rockefeller method” marketing	**No evidence found.** Their documented tools were trusts and a family office	Even infinite-banking practitioners call the Rockefeller story a myth.

What these examples do and do not show

They show that policy loans have bridged short-term needs when other lenders would not, and that institutions with large actuarial teams hold cash-value life insurance as an asset. They do not show that any family will get a particular result. Every example involves a permanent policy held for years, and none predicts how a policy bought today will perform. The people and institutions named have no connection to Legacy Builder and do not endorse this paper.

Evidence grades are Legacy Builder’s own, based on the public sources listed on the Sources page. Widely repeated anecdotes without primary documentation have been left out.

THE TOOLBOX

Strategies compared at a glance

No single tool is right for every family. Each trades something for something else.

Strategy	What it does	Often considered when	Watch-outs
Annual-exclusion gifts, 529 and direct tuition or medical payments	$19,000 (2026) / $20,000 (2027) per recipient, per donor, without using exemption. A 529 plan can be front-loaded with five years' worth (Form 709). Tuition and medical bills paid directly to the school or provider are excluded with no dollar limit	Steady transfers to children, grandchildren or trusts over many years	Small each year relative to a large estate; spouses who split gifts file Form 709; 529 and room-and-board do not qualify for the unlimited exclusion
Lifetime gifts to a trust (dynasty / GST)	Uses exemption now; removes future growth; GST allocation can shelter later generations	Estate is likely to exceed the exemption; family wants long-term control	Irrevocable; carryover basis; trustee choice matters
SLAT (see SLAT section)	Gift to a trust for the spouse (and often descendants); indirect access remains	Donors worry about giving up access	Divorce or death of the beneficiary spouse; reciprocal-trust rules if both spouses fund SLATs
ILIT with a survivorship policy	Trust owns policy; cash arrives at the second death and may be outside the estate if properly structured	Estate is illiquid; family wants to keep assets; both spouses insurable	Three-year rule if an existing policy is transferred; premiums; underwriting; judge as liquidity
Business planning	Gifts of non-controlling interests, buy-sell agreements, succession plan, §6166	A private company is a large part of the estate	Valuation discounts need a qualified appraisal and are reviewed by the IRS
GRAT / sale to a grantor trust	Moves growth above an IRS-set hurdle rate out of the estate	Expected high-growth assets	Complex; attorney-led; works only if the asset outperforms the hurdle
Cash-value life insurance (7702) (see the 7702 pages)	Tax-deferred cash value, loan access and a death benefit in one policy; a family "liquidity reservoir"	Long horizon, steady cash flow, insurable, wants liquidity and legacy together	Costs and early-year drag; MEC and lapse-with-loan tax traps; illustrations are not guarantees; ownership affects estate inclusion
Charitable vehicles	Donor-advised funds, charitable trusts and bequests	Real philanthropic goals	Design details matter; confirm with attorney and CPA
Portability election	Surviving spouse claims the first spouse's unused exemption	Married couples with meaningful, appreciating or potentially taxable estates	Requires a timely Form 706, even if no return is otherwise due; GST exemption is not portable
Do nothing / pay from the portfolio	Keep control; property held until death generally gets a date-of-death basis; pay the tax later	Estate is near or below the exemption	Tax bill grows if assets outpace the exemption

This table is educational. It is not a recommendation to use any strategy. Trust and tax design belongs to your estate attorney and CPA.

IS THIS RIGHT FOR YOU?

Four honest questions before any strategy

A good plan starts by asking whether you need one. Sometimes the right answer is “not yet.”

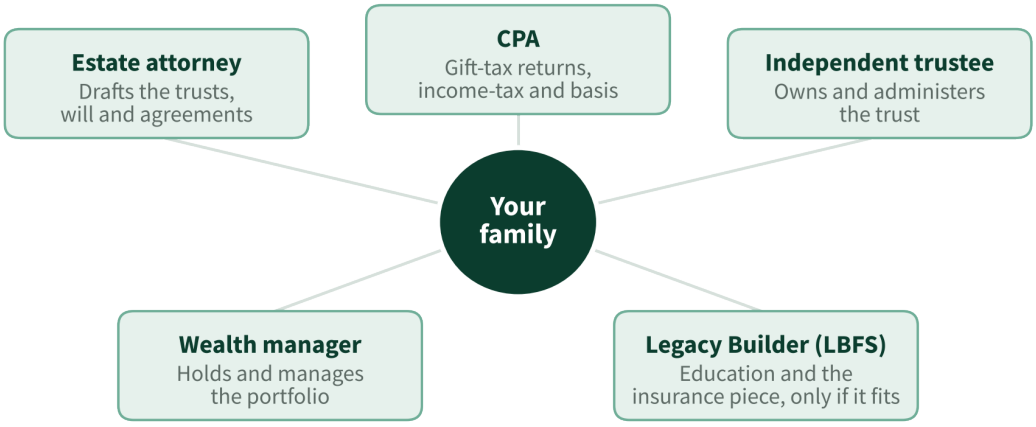
1 **Is the estate likely to be above the exemption at the second death?**
Use the table on page 5 and your own numbers. If not, protecting basis and keeping flexibility may matter more than gifting.

2 **Could the family pay the tax in cash without selling what you want kept?**
If not, liquidity is the central problem. See the options in Case Study 7.

3 **Do you have surplus assets you are certain you will never need?**
Gifts are irrevocable. Only give what you will not miss, and consider whether a SLAT gives comfort.

4 **Are your beneficiaries ready, and do your documents say what you want?**
Trustees, guardianship, business succession, state of residence and beneficiary designations all matter as much as tax.

A team sport



An estate plan works best when the attorney, CPA, trustee and portfolio manager are working from one picture. Legacy Builder does not provide legal, tax or investment-management services and does not act as trustee.

When insurance probably does not fit

Underwriting makes coverage unavailable or uneconomic, the estate is below the exemption, the family would happily sell assets to pay the tax, or the premiums would strain the family’s other goals. Those are fine answers. If it does fit, the next step is a real carrier illustration, reviewed by your attorney, CPA and trustee, with no deadline.

A PERSONAL INTRODUCTION

Meet Nanda: Why This Work Matters to Me

Before you decide to work together, it helps to know the person you would be working with.



Nanda Sringari

Founder, Legacy Builder Financial Services

Licensed Insurance Producer

Entrepreneur · Husband · Father · Mentor

A note from Nanda

I started in engineering and information technology, trained to look beneath the surface and understand how things really work. That mindset led me into entrepreneurship, where I learned that building anything worthwhile takes patience, resilience and good people.

At the center of my life is my family. Sangeetha has been my partner in life and in business, and together we raised three children, now adults. Long before I entered financial services, our family had achieved financial independence. I share that not to impress you, but because it changed how I think about money.

Money matters, but what it makes possible matters more: choices for a family, protection for the people they love, dignity in uncertain times and the freedom to contribute to something bigger.

Eventually, I began asking myself a different question:

What would it take for a family to keep what it built?

That question brought me to financial services and led me to found Legacy Builder Financial Services. Estate planning is where that question becomes practical: documents from your own attorney, liquidity that matches the exposure, and a family that understands the plan. I want to help families understand money more clearly, so that every decision is an informed one.

I remember the mentors who believed in me, sometimes before I fully believed in myself. Now I try to do the same for the families I serve: tell the truth, explain the trade-offs and stay present when decisions get difficult.

If you would like to talk it through, let's have an open, honest conversation. We can look at your facts, ask the important questions and see whether there is a genuine fit on both sides. Then you can decide for yourself.

What drives me

I believe wealth is bigger than a number: it is confidence, protection and the freedom to choose your next chapter. My goal is to help one million families build stronger financial futures and to develop leaders who carry that mission forward.

Education before decisions

You should understand why, not merely be told what to do. I explain first and welcome your questions.

Clarity before commitment

I explain what a plan involves, what it costs and what the trade-offs are, so you can make an informed decision.

People before transactions

I would rather earn your trust than rush your decision. Your family, goals and timeline deserve respect.

Nanda Sringari is a licensed insurance producer (NPN 21273835). Financial independence is the author's own circumstance, not a representation about anyone's results, and nothing in this paper is a guarantee of results.

WHY WORK WITH LEGACY BUILDER

The plan is only as good as its design

An estate plan has many moving parts, and life insurance is the part where small design choices make the biggest difference. Two policies with the same name can behave very differently. Getting the design right is where we spend our time.

Six design choices that change the outcome

1 Funding level
How much goes in, and for how many years, matched to your goal rather than to a standard template.

2 Death benefit and cash value
The balance between the two decides how efficiently cash value can build and how much protection you carry.

3 Staying clear of MEC status
Funding within the §7702A limits keeps policy-loan access on its more favorable tax footing.

4 Carrier and crediting choices
The company, the product type and the assumptions behind the illustration. We read the fine print with you.

5 Ownership and estate fit
You, a trust or a business as owner changes control, access and what counts in the taxable estate.

6 Loans and ongoing care
How you borrow, what it costs, how you keep the policy in force, and a review every year as life changes.

How we work on every case

1. Design	2. Stress-test	3. Integrate	4. Review
Structure the contract around your actual objective, not a template.	Lower returns, higher loan rates, interrupted premiums, early access.	Coordinate insurance with tax, estate, business and retirement planning.	Monitor every year rather than selling and disappearing.



Our focus

Estate-liquidity and legacy design are our focus. Our aim is a plan you understand, with the trade-offs shown plainly and every legal and tax question routed to your own attorney and CPA.

Nanda Sringari · Legacy Builder Financial Services (LBFS) · Naples, Florida

What every completed review includes
A written assumptions summary and a high-level assessment of potential estate-tax and liquidity exposure. When insurance is relevant to the analysis, the review also includes guaranteed-versus-nonguaranteed comparisons, policy-loan risk considerations and questions to discuss with your advisors.

Why families choose to work with us
Education before products. A design built one family at a time, by appointment. Your CPA and attorney are welcome in every conversation. And honesty about limits: no design removes policy charges, guarantees credits, or makes life insurance right for everyone. If another tool fits you better, we will say so.

The next page shows two simple ways to begin.

NEXT STEPS

Two simple ways to begin

You set the pace. The first step is education, not a product decision.

IF YOU ARE STARTING FROM SCRATCH

Estate Exposure & Liquidity Review

In one focused conversation, we organize the facts that drive the planning question: your approximate estate value, how assets are owned, embedded gains, available liquidity, existing trusts and current insurance.
You receive a one-page **Estate Exposure Snapshot** and a focused question list to review with your estate attorney and CPA.

IF YOU ALREADY HAVE A TRUST OR INSURANCE POLICY

Start With What You Already Have

Use our secure upload link to share a current trust summary, recent policy statements or in-force illustrations. We organize the information into an Estate Exposure Snapshot and identify questions to discuss with your attorney and CPA.

Scan to schedule

How it works

1. **Schedule** a 30-minute Zoom meeting at calendly.com/nandasringari/meet-on-zoom or scan the code.
2. **After booking,** you will receive a secure upload link and a short preparation checklist. Please do not email financial statements, insurance documents or estate-planning documents.
3. **Bring five facts about your estate:** approximate gross estate value; how the major assets are owned or titled; assets with the largest embedded gains; approximate liquid and illiquid holdings; and existing trusts and insurance, including policy owner, death benefit and beneficiaries.
4. **Within three business days,** receive your one-page Estate Exposure Snapshot and advisor question list. We will schedule a brief follow-up to walk through it together.

For CPAs, attorneys and other advisors

If a client has a potentially taxable, illiquid or business-heavy estate, invite us to a joint review. With the client's permission, we will share the assumptions behind our model and any relevant carrier-approved illustrations for your independent review.

Our role is limited to organizing the facts, modeling liquidity and presenting insurance options when appropriate. We do not replace the client's legal, tax, accounting or investment advisors.

Know someone who may benefit?

Forward this paper or introduce us by email. A simple introduction is enough, and we will keep the first conversation educational.

How we are compensated

If you purchase an insurance product through us, the licensed insurance professionals involved in the transaction may receive commissions from the insurer. Reviewing this paper or requesting a review creates no obligation to purchase a product.

Nanda Sringari
Legacy Builder Financial Services (LBFS) · Naples, Florida
610.476.1156 · nanda@thelbfs.com · www.thelbfs.com
NPN 21273835

WEALTH.
PRIDE.
PEACE OF MIND.

ADDENDUM

The ABCs of trusts

A trust is a legal arrangement that sets enforceable rules for how property is held, managed and distributed. It works only if properly drafted, funded and administered.

Four ways property passes when you die

Way	How it works	Everyday example
By contract	The beneficiary you named gets it directly	Life insurance; accounts with a payable-on-death or transfer-on-death designation
By operation of law	The surviving owner takes it automatically	A home owned jointly with rights of survivorship, or by spouses as tenants by the entirety
Through probate	A court supervises: it appoints a personal representative who distributes under your will, or under state law if there is no will	Assets in your sole name with no beneficiary and no trust
By trust	A properly drafted, funded and administered trust sets the rules for what happens, outside probate	Only assets transferred to the trust, or that pass to it, avoid probate

Why people use trusts

- **Taxes:** some trusts reduce or avoid estate tax.
- **Speed and cost:** assets in a trust generally skip probate, which can be slow and costly.
- **Privacy:** a will becomes a public court record; a trust usually does not.
- **Control:** a trust can say when, how and to whom assets go, and who manages them if you are incapacitated.

Key players

Role	Who they are	Plain-English picture
Grantor (also called trustor or settlor)	The person who creates the trust and puts assets in it	The one who plants the tree
Trustee	Manages the trust for the beneficiaries; may be a family member, friend or a corporate trustee	The gardener, who must follow the instructions
Beneficiary	The people or charities who benefit	The ones who enjoy the fruit

Trust categories: three common pairs

Pair	One side	The other side
Can it change?	**Revocable:** the grantor can amend or cancel it and often acts as trustee	**Irrevocable:** not freely revocable by the grantor; whether and how it can later be modified depends on the trust document and governing law; often used to pass assets to the next generation
When does it start?	**Inter vivos (living):** created during life and may continue after death	**Testamentary:** created in a will, so it exists only after death
Who pays the income tax?	**Grantor trust:** the grantor reports the trust's income on their own return	**Non-grantor trust:** the trust reports its own income; the trust or the beneficiaries pay the tax

Adapted and paraphrased from Northwestern Mutual's published "The ABCs of trusts," with plain-English pictures added by Legacy Builder. See Sources.

ADDENDUM

Common trust types, in plain English

Names sound complicated. Each trust is just a different set of instructions for the same job.

Trust type	What it does	Plain-English picture
Bypass or credit-shelter trust	At the first death, holds assets up to the exemption for the family so they are not counted again at the second death	A locked room that does not move into the survivor's estate. Often less needed now that portability exists.
SLAT (spousal lifetime access trust)	Donor spouse gifts to a trust that benefits the other spouse (and usually children) while the donor is alive	A gift with a side door. See the SLAT section.
ILIT (irrevocable life insurance trust)	May keep life-insurance proceeds outside the insured's taxable estate when properly structured and administered and the insured retains no incidents of ownership; can supply cash for taxes or to equalize inheritances. A transferred existing policy may be subject to the three-year rule	A separate safe for the insurance, so it is not counted in the estate
Crummey trust	Lets parents give children annual gifts that qualify for the annual exclusion, while the beneficiary may withdraw for a short window	A mailbox that lets gifts count as gifts. Gifts above the annual exclusion use exemption or may be taxed.
GST-exempt trust	After the initial transfer and proper allocation of GST exemption, future appreciation and later transfers may avoid additional estate and GST tax	A river of wealth with no toll booths between generations
Dynasty trust	A long-lasting trust for many generations, often with GST exemption allocated	A family endowment
QTIP trust	Gives a spouse income from the trust and qualifies for the unlimited marital deduction, while the first spouse keeps control over who gets the principal afterward	A promise that the survivor is cared for and the children are still protected
IDGT (intentionally defective grantor trust)	The grantor gifts or sells assets to a trust, subject to a supportable valuation and, where appropriate, a qualified appraisal; the grantor generally reports the trust's income, so the trust can grow without itself paying that income tax	The grantor generally reports the trust's income, allowing trust assets to grow without the trust itself paying that income tax
GRAT (grantor-retained annuity trust)	The grantor moves growth out at a reduced gift-tax value and receives fixed payments for a set number of years; what remains passes on	Lend your assets, get paid back with a hurdle, keep the extra growth in the family

Which of these might fit you?

Almost none of these is right for everyone. Trusts must be drafted by your own estate attorney and reviewed with your CPA. Treat this list as a glossary for your meeting with them, not a shopping list.

ASSUMPTIONS AND LIMITS

What this paper does and does not show

A model is only as good as its assumptions. Here are ours, and what they leave out.

Assumption used in every case	Why it matters
$50M starting net worth in 2027; couple dies in 2047 (both in the same year); a timely Form 706 preserves the first spouse's exemption	Real deaths are separate and unpredictable. Case Study 1 shows that deaths ten years apart raise the tax because the first spouse's unused exemption stops indexing.
5% annual growth, **before** income tax; no spending, gifts to charity or fees	Real portfolios pay income tax, fluctuate, and fund living costs. Growth outside the estate may also be taxed to the donor in some trusts, which can help or hurt.
Exemption $15.48M per person in 2027, indexed 2% a year; couple's exemption fully usable through portability	Actual inflation indexing varies by year. Portability requires a timely Form 706 and is not automatic. The deceased spouse's unused exemption is generally fixed at the first death.
40% federal rate; no state estate or inheritance tax; no marital or charitable deductions	Twelve states and DC levy estate tax and five levy inheritance tax. Many families use marital and charitable deductions.
Gifts valued at gift-date value; trusts are valid, properly funded and respected by the IRS	Poor drafting, retained control or valuation challenges can pull assets back into the estate.
Insurance figures are hypothetical ($550,000 a year for 10 years, $10M benefit)	Real premiums depend on age, health, product and carrier and appear only in a carrier illustration.

What this paper leaves out

- **Income taxes.** The cost-basis trade-off is shown in Case Study 6, but income tax is not modeled in Cases 1 through 5.
- **Generation-skipping transfer tax.** Dynasty-trust cases assume the GST exemption is allocated correctly; the GST exemption is separate from, and not portable like, the estate exemption.
- **Future law.** The exemption has no scheduled sunset, but Congress can change it. Case Study 8 tests one hypothetical reduction. It is not a forecast.
- **Your facts.** Domicile, titling, business ownership, existing trusts, beneficiary designations and health all change the answer.

Rounding and arithmetic

Dollar amounts are rounded to the nearest $0.1 million in graphics and may not add exactly. All figures were computed from one model so every page agrees. Tax in each case = 40% × max[(estate at death + adjusted taxable gifts) − assumed available exemption, $0].

SOURCES AND ATTRIBUTIONS

Where the facts and figures come from

Law and figures verified November 17, 2026. Please confirm with your own advisors before relying on them.

Accessed November 17, 2026. Links open the cited page; third-party summaries are secondary to the primary sources listed last.

1. **OBBBA.** One Big Beautiful Bill Act, Pub. L. 119-21 (July 4, 2025), §70106: basic exclusion amount $15,000,000 for 2026, indexed. Summaries: Pierce Atwood, pierceatwood.com/alerts/one-big-beautiful-bill-act-and-estate-planning-what-you-need-know; Morgan Lewis, morganlewis.com/ru/pubs/2025/08/estate-tax-alert-new-15-million-federal-exemption-becomes-law
2. **IRS Rev. Proc. 2026-35** (Nov. 5, 2026): 2027 basic exclusion amount $15,480,000 (§3.44); annual gift exclusion $20,000; non-citizen spouse $201,000. irs.gov/pub/irs-drop/rp-26-35.pdf. Summaries: Morgan Lewis, morganlewis.com/pubs/2026/11/irs-announces-gift-and-estate-tax-exemption-amounts-2027; KPMG, kpmg.com/us/en/taxnewsflash/news/2026/11/rev-proc-2026-35-inflation-adjustments-2027.html
3. **IRS**, Estate Tax (filing thresholds $13.61M for 2024, $13.99M for 2025, $15M for 2026). irs.gov/businesses/small-businesses-self-employed/estate-tax. 2025 annual exclusion and 2026 amounts: Rev. Proc. 2025-32.
4. **Portability and DSUE.** Rev. Proc. 2022-32 (five-year late election). Journal of Accountancy, journalofaccountancy.com/news/2022/jul/estates-now-request-late-portability-election-relief-5-years/
5. **Anti-clawback rule.** T.D. 9884, Treas. Reg. §20.2010-1(c). The Tax Adviser, thetaxadviser.com/issues/2020/feb/irs-rules-eliminate-estate-gift-tax-clawback/
6. **Basis planning after OBBBA.** The Tax Adviser, "Gift or hold? Basis step-up and transfer tax planning after H.R. 1" (Oct. 2026), thetaxadviser.com/issues/2026/oct/gift-or-hold-basis-step-up-and-transfer-tax-planning-after-h-r-1/; Lowenstein Sandler client alert, lowenstein.com/news-insights/publications/client-alerts/one-big-beautiful-bill-and-three-key-planning-notes-te
7. **SLAT risks.** King & Spalding via Willamette (July 2026), insights.willamette.com/resources/perspectives-insights/perspectives-2026-07/spousal-lifetime-access-trust-pitfalls.html; The Tax Adviser (Mar. 2026), thetaxadviser.com/issues/2026/mar/estate-planning-in-a-post-obbba-world/. *United States v. Estate of Grace*, 395 U.S. 316 (1969).
8. **ILIT and the three-year rule (IRC §2035).** Charles Schwab, workplace.schwab.com/story/avoiding-three-year-rule-when-using-ilit
9. **IRC §6166.** Eide Bailly (2026), eidebailly.com/insights/alerts/2026/section-6166-defers-the-tax
10. **Who pays.** Tax Policy Center, taxpolicycenter.org/briefing-book/how-many-people-pay-estate-tax; Congressional Research Service IF12846, everycrsreport.com/reports/IF12846.html; Center on Budget and Policy Priorities, cbpp.org/research/federal-tax/policy-basics-the-estate-tax
11. **State taxes.** Twelve states and DC with an estate tax; five states with an inheritance tax (KY, MD, NE, NJ, PA): Tax Foundation, taxfoundation.org/research/all/state/state-estate-tax-inheritance-tax/; Faegre Drinker (2026 state transfer-tax summary). Rules and thresholds change; confirm with counsel for each state.

12. **Annual exclusion, 529 and tuition/medical payments.** IRS Rev. Proc. 2025-32 and Rev. Proc. 2026-35; IRC §2503(b), §2503(e) and §529(c)(2)(B) (five-year election, reported on Form 709).
13. **Case-study concept.** The three-couple format ($50M, 5% growth, no plan / basic plan / life-insurance plan) is adapted from Northwestern Mutual's published estate-planning material, "Maximizing Wealth Transfer: Estate, Gift and GST Tax Exemptions" (pre-OBBBA edition). All figures here were recomputed under current law with different assumptions and an expanded set of cases. Northwestern Mutual is not affiliated with and does not endorse Legacy Builder Financial Services or this paper.
14. **Cash-value life insurance and the Infinite Banking Concept.** IRC §7702, §7702A (MEC), §101(a), §2035, §2042. R. Nelson Nash, *Becoming Your Own Banker* (2000); Wikipedia, "R. Nelson Nash"; White Coat Investor, "Infinite Banking and Bank on Yourself," whitecoatinvestor.com/infinite-banking-bank-on-yourself/; Prosperity Podcast ep. 623, "IBC and the Rockefeller Myth" (June 10, 2025), partners4prosperity.libsyn.com/ibc-and-rockefeller-myth-episode-623.
15. **Disney.** Moneywise, "Walt Disney borrowed $60,000 against his life insurance to build Disneyland," moneywise.com/insurance/life/walt-disney-life-insurance-loan-disneyland; Richard Koch, "How Walt Disney Funded His Dream," richardkoch.net/blog/548-how-walt-disney-funded-his-dream; ACLI, "Walt Disney, Mickey Mouse and Life Insurance?" (Sept. 30, 2020), impact.acli.com/?p=608.
16. **Bank-owned life insurance.** ICBA Independent Banker, "Here are the benefits of bank-owned life insurance" (NFP/Michael White BOLI Holdings Report, Q3 2020), icba.org/w/here-are-the-benefits-of-bank-owned-life-insurance; OneDigital citing S&P Global (June 30, 2025), onedigital.com; OCC Bulletin 2004-56, Interagency Statement on the Purchase and Risk Management of Life Insurance; FDIC Risk Management Manual, "Bank-Owned Life Insurance."
17. **Indexed illustrations.** NAIC Actuarial Guideline 49 (2015) and 49-A (effective 2023) on illustrations of indexed universal life.
18. **GST tax.** IRC §§2601–2664 (chapter 13); IRC §2631 (GST exemption equals the basic exclusion amount); §2641 (40% rate); Form 709 and instructions, irs.gov/forms-pubs/about-form-709.
19. **SLATs and trust vocabulary.** Glossary and SLAT summaries adapted and paraphrased from Northwestern Mutual's published articles "The ABCs of trusts" and "Should You Consider a Spousal Lifetime Access Trust (SLAT)?"; the older articles' 2024 figures and 2026 sunset language have been replaced with current law. Northwestern Mutual is not affiliated with and does not endorse Legacy Builder or this paper.
20. **Primary sources.** Pub. L. 119-21, congress.gov/bill/119th-congress/house-bill/1; Rev. Proc. 2026-35, irs.gov/pub/irs-drop/rp-26-35.pdf; IRS Estate Tax, irs.gov/businesses/small-businesses-self-employed/estate-tax; IRS Form 706 instructions, irs.gov/forms-pubs/about-form-706; IRS Form 709, irs.gov/forms-pubs/about-form-709; IRS Publication 551 (Basis of Assets), irs.gov/publications/p551; Treas. Reg. §20.2010-1(c), public-inspection.federalregister.gov/2019-25601.pdf; IRC §2642, uscode.house.gov/us/usc/119-118/t26/s2642/.
21. **Model.** Prepared by Legacy Builder Financial Services using stated assumptions (5% growth, 2% indexing, 40% rate, 2047 second death). The model, not a forecast, is available on request.

IMPORTANT DISCLOSURES

Please read

Educational and hypothetical. This paper is for general education. Case studies are fictional, use assumptions that are stated on the pages and are not predictions or promises of any outcome. Actual results will differ. Figures were verified as of November 17, 2026 and law can change, including estate, gift, generation-skipping transfer and income-tax law.

Not legal, tax, accounting or investment advice. Legacy Builder Financial Services and its representatives do not provide legal, tax or accounting advice and do not manage investments or act as trustee. Estate plans, trust documents and tax filings should be prepared and reviewed by your own estate attorney and CPA. Any estate documents for your plan should be drafted by your own attorney. Summaries of the law are simplified and omit exceptions.

Insurance. Insurance products are subject to underwriting and approval. Guarantees are subject to the claims-paying ability of the issuing company. Insurance products are not FDIC insured, not bank guaranteed and may lose value if surrendered early. Policies have charges, surrender charges and fees. Hypothetical premium and death-benefit figures in this paper (including the $550,000 premium and $10 million benefit) are modeling assumptions, not quotes, carrier illustrations or guarantees of availability; actual premiums depend on age, health, product and carrier. Real figures come only from carrier illustrations.

Indexed life insurance. Indexed products do not invest directly in an index or in the market. Caps, participation rates and charges can change, illustrated values are not guaranteed, and a floor does not remove policy charges. Loans and withdrawals reduce the death benefit and may be taxable if the policy lapses or is a modified endowment contract (MEC). Death benefits are generally income-tax-free; estate-tax treatment depends on ownership and structure.

Cash-value life insurance. Cash-value policies have charges, surrender charges and loan interest, and early cash value may be less than premiums paid. Dividends and indexed credits are not guaranteed. Policy loans reduce the death benefit and cash value, and if a policy lapses or is surrendered with a loan outstanding the loan can become taxable income. Loans from a modified endowment contract (MEC) are taxable gains-first and may carry a 10% penalty before age 59½. A policy owned by the insured is generally included in the taxable estate. Historical examples are not testimonials, are not client results, and do not predict future performance; the individuals and institutions named have no relationship with, and do not endorse, Legacy Builder or HGI/HFG. The “Rockefeller method” label is a marketing term and is not supported by historical evidence.

Third-party information. Third-party facts and legal summaries were reviewed against the cited sources as of November 17, 2026. Legacy Builder does not guarantee that those sources are complete or that the information will remain current after that date. Mention of any third party does not imply endorsement.

No professional relationship. Reading this paper does not create an attorney-client, accountant-client, fiduciary or advisory relationship with Legacy Builder Financial Services or its representatives. This paper provides general educational information and does not recommend any specific insurance policy or product. Insurance discussions, applications and offers are made only through properly licensed representatives in jurisdictions where authorized. Any proposed policy should be evaluated using the insurer’s complete illustration, including guaranteed and nonguaranteed values, charges, assumptions and limitations.

Compensation. Insurance and annuity products pay commissions to the licensed representative. You are under no obligation to purchase any product. Any recommendation should be reviewed independently by your attorney, CPA and trustee.

Platform. Hegemon Group International, LLC (HGI) is a marketing company offering products and services through independent affiliates. Insurance products are offered through Hegemon Financial Group, LLC (HFG); in California through Hegemon Insurance Solutions, LLC, collectively HFG. HFG is licensed in all states and the District of Columbia except Massachusetts. California License #0I0198.

Edition: October 2026. Tax-law and source review current through November 17, 2026.

Nanda Sringari · Legacy Builder Financial Services (LBFS) · Naples, Florida · 610.476.1156 · nanda@thelbfs.com · www.thelbfs.com · NPN 21273835