



Welcome to Your Legacy, Your Impact: Estate Planning Webinar

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Your Legacy, Your Impact: Estate Planning Essentials

Bentley University

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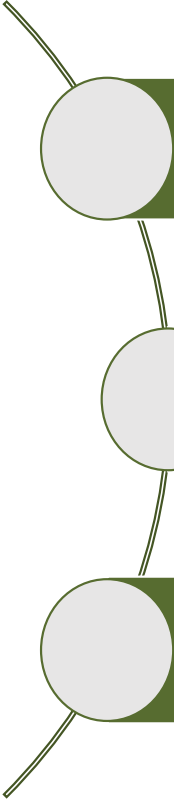
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Overview of Topics



How should I position my estate plan?

Do I need to worry about the estate tax?

How should I approach charitable planning in 2026?

What is Estate Planning?

- *During Lifetime*
 - Determining who will make health care and financial decisions for me if I am incapacitated
- *On Death*
 - Providing for what will happen to my assets when I die
 - Designating someone to collect my assets, take care of any final debts or obligations, file any final tax returns, and then distribute out the remainder
 - Designating who will take care of my minor children when I die

A basic estate plan is comprised of four documents



Health care proxy
(and living will)



Durable power
of attorney



Will



Revocable trust
(possibly)

Probate vs. non-probate assets

Probate assets

Are subject to the terms of your will at your death, for example:

- Money you have in a bank account owned in your own name
- Investment assets owned in your own name
- Real property owned in your own name
- Life insurance or retirement accounts with no named beneficiary

Non-probate assets

Are not subject to the terms of your will at your death, for example:

- Retirement account assets – go to the designated beneficiary
- Life insurance proceeds – go to the designated beneficiary
- Money in a jointly held bank account – goes to the other joint owner
- Jointly owned real property (as opposed to tenants in common) – goes to the surviving joint owner
- Transfer on Death (TOD) accounts – goes to designated beneficiary

Know How to Pass Assets to Loved Ones

Bank and Investment
Accounts

Life
Insurance



Retirement
Accounts

Real
Estate



Partnership Interests

Closely Held
Stock

Tangible Personal
Property



Cryptocurrency

Estate Planning with Retirement Assets



Spouses

Rollover or inherited IRA
(may stretch over lifetime)



Designated Beneficiaries

- **Generally:** Must pay out within **10** years (payments start right away if decedent was age **72** or older)
- **Minors:** Must pay out within 10 years of reaching age of majority (age **21**)
- **Disabled / Chronically Ill:** May stretch for disabled beneficiary's lifetime
- **Not more than 10 years younger:** May stretch for lifetime



No Designated Beneficiaries

Must pay out within
5 years



Trust planning “see-through” trusts

If done correctly, can stretch for
10 years maximum (longer if minor
or disabled)

Potential Beneficiaries

- Spouse
- Children
 - In trust or outright?
- Parents
- Extended Family
- Friends
- Charities

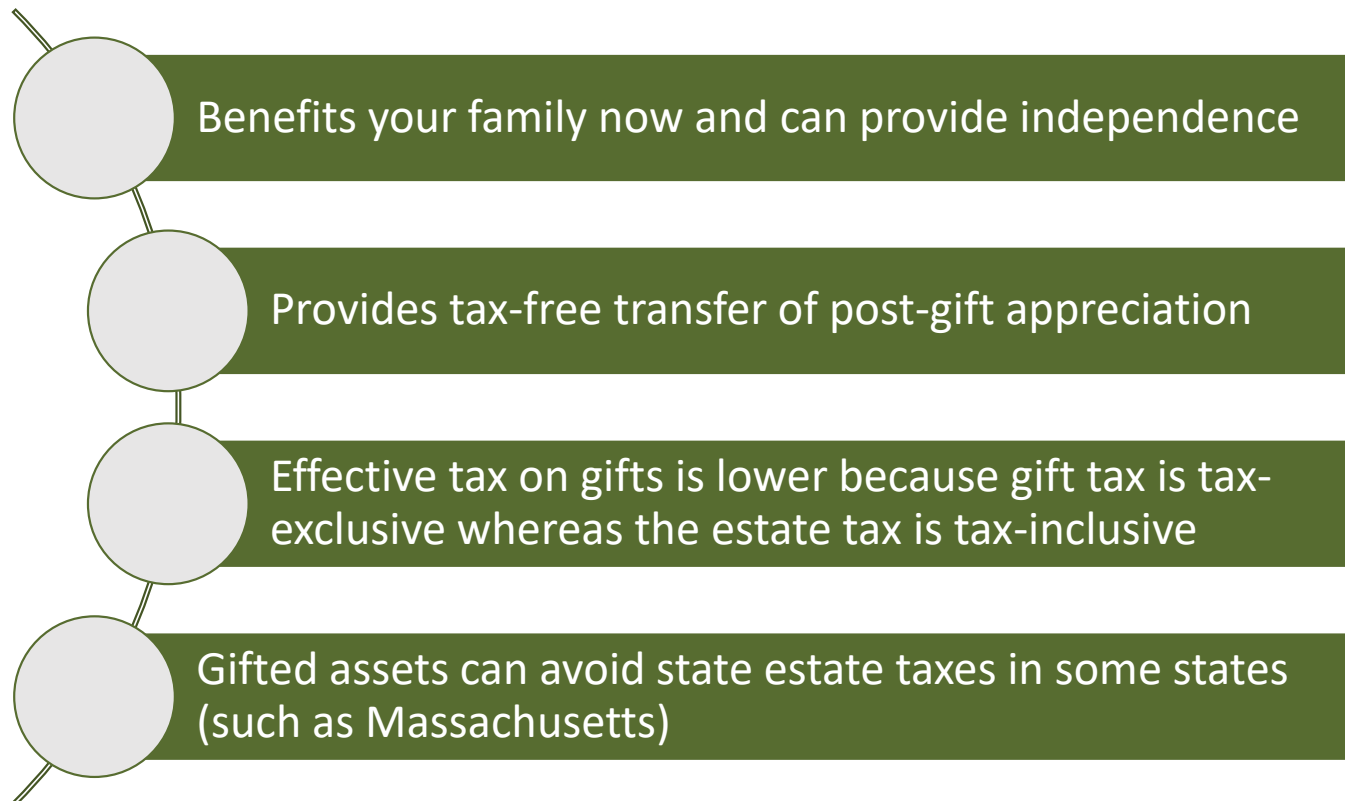
Where do Trusts Fit In?

- What is a trust?
- Revocable Trusts
 - Maintain control during lifetime
 - More privacy than wills
 - Limiting probate proceedings
 - Appropriate assets for funding revocable trusts during lifetime
- Irrevocable Trusts
 - Must give up control to trustee
 - Moving assets outside of taxable estate

Death Taxes

- *Federal estate tax* - \$15 million per person exemption (2026) - indexed
- *Federal gift tax*
 - Annual exclusion gifts
 - Direct payment of tuition and medical expenses
- *State estate and inheritance taxes* – MA \$2 million per person exemption (2026) – not indexed

Benefits of Lifetime Giving



Advanced Gift Strategies – Leveraging Gift Exemption

- Generation-Skipping Trusts (“GST Trusts”)
- Spousal Lifetime Access Trusts (“SLATs”)—a GST Trust that includes spouse as a beneficiary
- Intra-family loans at low IRS-approved rates
- Grantor Retained Annuity Trusts (“GRATs”)
- Charitable Lead Annuity Trusts (“CLATs”)
- Sales to Intentionally Defective Grantor Trusts
- Family LLCs
- Gifts of fractional interests in real estate
- Qualified Personal Residence Trusts (“QPRTs”)

Estate Planning – State Strategies

-  Differs by state—based on **domicile** of decedent
 -  HOWEVER, real estate and tangible property are governed by state where located
 -  Run numbers on loss of basis step-up vs. state estate tax savings
- 

Massachusetts

 - Reduce taxable estate on first death to **\$2M**
 - Consider Insurance planning
 - Make deathbed gifts
 - Arrange assets to avoid probate

Capital Gains Planning on Death

- **Cost basis step-up on death**
 - Does not apply to assets gifted away (including to most irrevocable trusts)
- Capital gain tax rate – 2026
 - Long-term: Up to 20% (plus potential 3.8% net investment income tax)
 - Short-term: Up to 37% (plus potential 3.8% net investment income tax)
 - 3.8% NII tax applies to lesser of net investment income or amount of AGI over threshold (\$200,000 single; \$250,000 married filing jointly)
- Federal estate tax rate – 2026: 40%
- Massachusetts estate tax rate – 2026: Up to 16%

10 Tips for Successful Estate Planning

1

Know what you own
(including tax basis)

2

Know what your financial
needs are

3

Title accounts properly

4

Make the right beneficiary
designations

5

Plan for payment of estate
taxes, debts, administration
expenses

Don't procrastinate—you can
always modify your plan later

6

Spend time upfront to make sure
your advisors have a full picture
of your assets, family, goals,
issues

7

Be realistic about family's
ability to handle things/get
along

8

Hire good advisors and listen
to them

9

Keep your plan updated

10

Charitable Giving



Charitable Giving

Basic Rules

- Income tax deduction allowed
 - Generally itemized (but note new OBBBA deduction for non-itemizers)
 - Annual AGI limitations (with 5-year carryforwards)
 - Full market value for appreciated property if:
 - Long-term capital gain property
 - To public charity
 - Publicly traded stock to private foundation
- Special Rules for complex assets

The One Big Beautiful Bill Act (“OBBBA”)

- **Above-the-Line Charitable Deductions**

- Starting January 1, 2026, individuals who take the standard deduction can claim a charitable deduction of up to \$1,000 (\$2,000 if married filing jointly).
 - Not indexed
 - Must be in cash, and not to a DAF or supporting organization

- **AGI Ceiling on Charitable Income Tax Deductions**

- The final bill permanently extends the 60% AGI limitation for cash gifts made to certain qualifying charities.
 - Must be to public charities; *can* include DAFs or supporting organizations
 - Can now “stack” gifts to get to 60% limit

Annual AGI Limits (Post-OBBA)

	Public Charity / POF		Private Foundation	
	Maximum Annual Deduction	Value That Can Be Deducted	Maximum Annual Deduction	Value That Can Be Deducted
Gift of cash	60% of AGI*	100%	30% of AGI	100%
Gift of STCG stock**	50% of AGI	Basis	30% of AGI	Basis
Gift of LTCG publicly traded stock	30% of AGI	FMV**	20% of AGI	FMV
Gift of LTCG other property***	30% of AGI	FMV**	20% of AGI	Basis

* We refer to AGI colloquially – technically, these are percentages of the “contribution base,” defined in IRC 170(b)(1)(H) as AGI computed without regard to net operating loss carryback under IRC 172.

** A taxpayer may elect under IRC 170(b)(1)(C)(iii) to have all capital gain property (long or short term) given to public charities treated as STCG, limited to cost basis but eligible for a higher 50% AGI limit.

*** Special rules apply for gifts of tangible personal property and certain other categories (patent rights, inventory, etc.).

The One Big Beautiful Bill Act (“OBBBA”)

- **0.5% Floor** – the first 0.5% of a taxpayer’s AGI is not deductible
 - *Note:* This is 0.5% of AGI, not 0.5% of the deduction.
 - *Example:* AGI of \$1,000,000; charitable contribution of \$20,000. 0.5% floor is \$5,000 ($0.5\% * \$1,000,000$). The charitable deduction is reduced by \$5,000, to \$15,000. In this case, that is a reduction of 25% of the charitable deduction, even though it is only 0.5% of the taxpayer’s AGI.
- **New section 68 – 2/37 “Haircut”**
 - Itemized deductions are reduced by 2/37 of the lesser of:
 - (1) **itemized deductions** and
 - (2) taxable income **exceeding the 35% bracket rate**
 - Applied after all other limitations on itemized deductions.
 - Total itemized deductions: $\$105,000 - \$5,676 = \$99,324$
- **37% tax bracket begins at \$640,600 (\$768,700 married filing jointly)**
- **For nongrantor trusts and estates, begins at \$16,000**

The One Big Beautiful Bill Act (“OBBBA”)

- **Combining the 0.5% Floor with the 2/37 Haircut**
 - *Example:* Married couple; AGI of \$1,000,000; charitable gift of \$100,000; SALT deduction of \$10,000; 37% bracket starts at \$751,600 for joint filers
 - **Step 1:** 0.5% Floor = \$5,000. $\$100,000 - \$5,000 = \$95,000 + \$10,000$ (SALT) = \$105,000
 - **Step 2:** *Haircut* = 2/37 of the lesser of (1) itemized deductions ($\$105,000 * 2/37 = \$5,676$) and (2) income over 35% bracket ($\$248,400 * 2/37 = \$14,427$) = **\$5,676**
 - Total itemized deductions: $\$105,000 - \$5,676 = \$99,324$

Giving Appreciated Assets

Property: \$100,000 of stock,
\$50,000 cost basis (held for more than one year)

Option 1: Sale and gift of \$100,000 cash

- \$99,324 income tax deduction (Post-OBBBA)
- **\$10,000 capital gain tax due (at 20% rate)**

Option 2: Gift of \$100,000 stock, charity sells

- \$99,324 income tax deduction (Post-OBBBA)
- **No tax due** on sale by charity

Qualified Charitable Distributions from IRAs



Requirements

- Direct payment to charity required
- Must be a public charity (but not a donor-advised fund or supporting organization)
- Up to **\$111k/year (2026)** (up to **\$55,000** to CGA or CRT)
- Beneficiary must be age **70 ½** or older (even for inherited IRA)
- Must receive no benefits from charity in return



Effect

- Treated as direct payment to charity – no income inclusion (federal or state)
- Satisfies Required Minimum Distribution
- Not subject to the AGI deduction limits
- Not subject to 0.5% floor
- Not subject to 2/37 “haircut”

Charitable Bargain Sales and Split Interests

Charitable Gift Annuities

- Part gift, part sale (assets in exchange for annuity)

Charitable Remainder Trusts

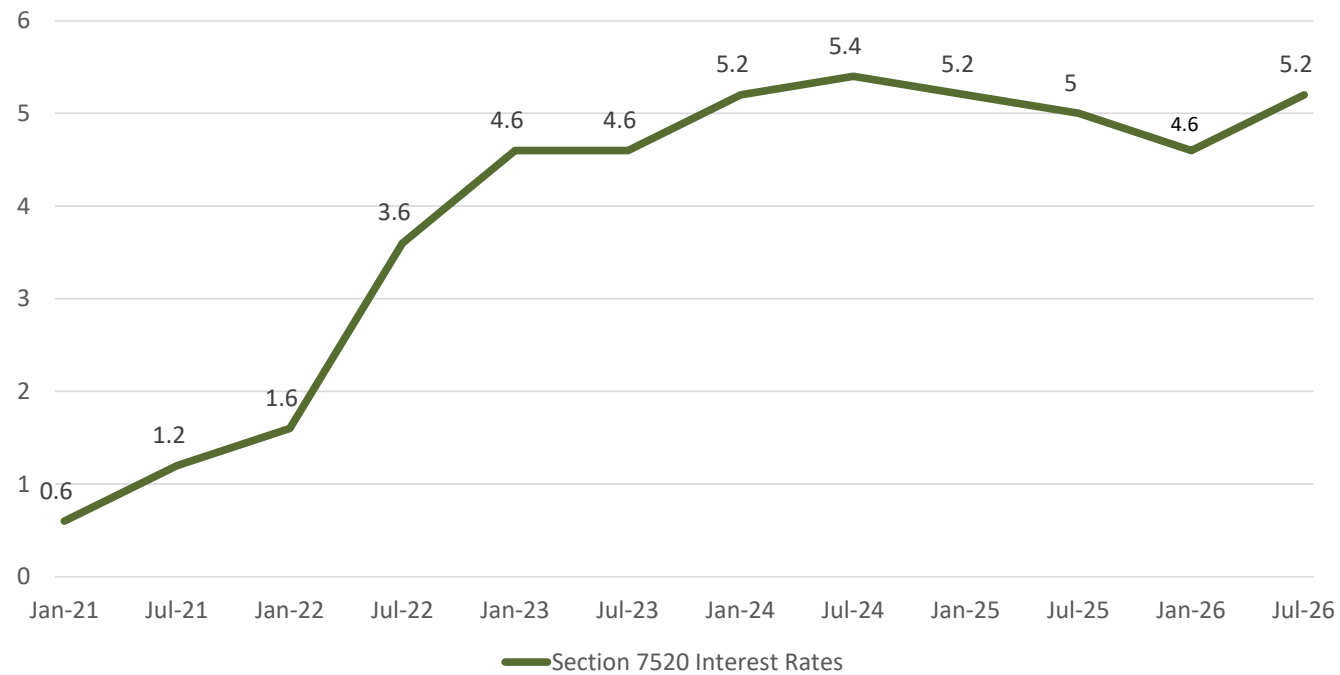
- Retained variable or fixed income interest (or gifted to family) for life or term of years, gift of remainder interest to charity
- Good for “spreading out” capital gain income on sale event

Charitable Lead Trusts

- Gift of variable or fixed annual payment to charity for life or term of years, gift of remainder interest to family
- Good for reducing gift/estate tax

Gift of Remainder Interest in Personal or Vacation Residence

Effect of Interest Rates on Planned Giving



Lower Interest Rate Charitable Giving

Better for Donors

- CLATs
- CGAs (Higher charitable deductions)
- Gifts of annuity or unitrust interests
- Gifts of remainder interests in real estate

Leaving Assets to Charity on Death

- **Bequests in Your Will / Trust**

- *Tax Considerations*

- Consider directing any tax-heavy assets specifically to charity if charity would be exempt from tax

- *Practical Considerations*

- If gifts are to be restricted in use, coordinate with the charity in advance to make sure they can accommodate that use
 - Consider capturing gift restrictions in a separate fund instrument with the charity (rather than in your will)
 - **Make sure to reference the fund specifically in your will** (otherwise funds will be unrestricted)

- **Beneficiary Designations For Non-Probate Assets**

Leaving Retirement Assets to Charity on Death

Tax Impact to Family

- Subject to estate tax
- Subject to income tax when distributed from plan to beneficiary (not Roth IRAs)
 - Within 10 years for children – no more stretch IRAs!

Tax Impact to Charity

- 100 percent estate tax deduction
- Not subject to income tax when distributed from plan to charity

Caution

- Work with an advisor when transferring retirement assets to charity via a bequest or trust—the rules are tricky

Testamentary Charitable Wealth Transfer Gifts

- **Testamentary Charitable Lead Annuity Trusts**
 - Can be good for reducing estate tax
 - “Zeroed-out” CLATs
 - Highly affected by interest rates (revisit calculations when reviewing estate plan)
 - Income tax managed by annual charitable distributions (with some wrinkles)
- **Testamentary Charitable Remainder Trusts**
 - Good for reducing estate tax while giving lifetime income stream (but no remainder) to family
 - If CRAT (instead of CRUT), highly affected by interest rates – need backup contingencies
 - Good for “spreading out” income tax on IRA distributions

Stretching with Charitable Remainder Trusts

Mechanics

- IRA left to charitable remainder trust
- Beneficiaries receive percentage interest (CRUT) or annuity (CRAT) for life (or term of up to 20 years)
 - Percentage interest typically 5%
 - Must ensure that charitable remainder worth at least 10% of funding amount
- No income tax on funding of CRT on death
 - Annual distributions carry out taxable income
- Partial estate tax charitable deduction

Effect

- Converts lump sum or 10 year IRA interests to lifetime payments
- Spreads out income tax consequences over beneficiary's lifetime
- Creates partial estate tax charitable deduction

Stretching with Charitable Remainder Trusts

Benefits

- Spreading out payments (income stream; potentially lower tax brackets)
- Spreading out income tax consequences
- Partial estate tax deduction
- Trust protections (creditors, spendthrift, etc.)

Additional Considerations

- Less benefit for family if CRT beneficiary dies early
- Must establish and maintain trust

Philanthropic Alternatives

Donor-Advised Funds

- Commercial or non-profit sponsors
- No retained control (advisory rights only), but ongoing influence, reduced operating and compliance costs/risks

Private Foundations

- Retained control, but operating and compliance costs/risks

Key Charitable Planning Takeaways

- ✓ Make Qualified Charitable Distributions from IRAs if eligible
- ✓ Give appreciated property to avoid capital gains tax
- ✓ Consider leaving IRAs to charitable remainder trusts
- ✓ Consider gifts of assets that will not affect cash flow needs
- ✓ Coordinate with charities to make sure they are expecting the gift or bequest, and can accommodate any gift restrictions or conditions



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Your Legacy, Your Impact: Estate Planning Essentials

This presentation is for informational purposes only. Please consult your advisors for tax, legal, or financial advice.

Q&A





Thank you!



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your legacy at Bentley**

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