WILMINGTON TRUST

Emerald Family Office & Advisory®

PROVIDING STRATEGIC TRANSITION PLANNING AND SOLUTIONS

Year-End Estate and Tax Planning 2023:

Optimizing Planning Opportunities Amid the Uncertainty

Alvina Lo
Chief Wealth Strategist

Tammy Calabrese
Director of Wealth Strategies

Cailin MacLean, CFP®
Wealth Planner

October 17, 2023

WILMINGTON TRUST

MEMBER OF THE M&T FAMILY


2023
2024
2025

2023–A Year in Review

Ongoing economic uncertainty

Stock market volatility

Portfolio values have been affected by rapid changes in the market index

Increased interest rates

Interest rates have continued to rise

High global inflation

Inflation has remained elevated

Golden window of opportunity

Tax environment

Unprecedented opportunities for valuable year-end planning

Income tax planning

SECURE Act 2.0 provides new approaches to income tax planning

Estate and gift tax planning

Absent any new legislation, a more restrictive estate planning framework is on the horizon

Estate and gift tax exemptions remain at an all-time high

"Use it" before 2026 or "lose it"

Income Tax Planning Opportunities

Polling Question #1

What are you most concerned about when considering your long-term financial plan?

A. Having enough income in my retirement years

B. High medical costs

C. Managing tax expenses

D. All of the above

Maximize Contributions to Tax-Advantaged Accounts

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

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

Double tax advantage

- Reduces current year taxable income
- Tax-deferred growth

The SECURE Act 2.0

- Required beginning date for required minimum distributions (RMDs) increased to 73
- 401(k) catch-up contributions for high earners must be after-tax beginning in 2026
- IRA catch-up contributions will be indexed for inflation
- Failure to take RMD penalty reduced to 25% or 10% if remedied within two years
- Roth 401(k) accounts no longer subject to RMDs

Health Savings Accounts (HSA)

Triple tax advantage

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

Potential disadvantages

Nonqualified distributions from these accounts may be subject to penalty and/or income taxation

Accelerate Income Tax Deductions

Align strategies resulting in sizable income tax deductions with years of higher-than-usual income

Charitable Gifting

"Bunching" strategy

- Make several years worth of contributions into one year

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

- Up to $100,000 available to distribute directly to charity from an IRA
  - Beginning in 2024, this amount will now be indexed to inflation, rounded to the nearest $1,000 because of the SECURE Act 2.0
- Gift to charity not included in income
- Must be age 70½ to utilize a QCD

SECURE Act 2.0

- IRA account owners over the age of 70½ can now make a one-time distribution to a charitable remainder trust and/or a gift annuity up to $50,000

529 College Savings Plan

Additional tax advantages

- Some states offer a tax deduction for contributions
- Tax-free growth
- Tax-free distributions for qualified education expenses

The SECURE Act 2.0

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

Tax-loss Harvesting

Realize losses from ill-performing holdings to offset some, or all, of capital gains from your well-performing holdings

What is tax-loss harvesting?

- Realization of capital losses to offset taxable gains

Key considerations

- Potentially greater losses than usual this year due to market volatility
  - Carry forward any unused capital losses to use in future years
- Avoid the wash-sale rule
  - Avoid repurchase for 30 days, before or after selling the loss-generating security
  - Purchase a similar but not "substantially identical" security
- Maintain your investment strategy
  - Don't let tax mitigation cause you to sell assets that play a strategic role in your portfolio

Lower Income Year Opportunities

Take advantage of lower tax rates to help optimize your wealth plan as it relates to income tax planning over the long term

Harvest capital gains on appreciated assets

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

Proactively make distributions from your retirement plans

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

Roth conversion

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

Estate and Gift Tax Planning Opportunities to Utilize Increased Federal Exemptions

Use It or Lose It: Annual Exclusion Gifting and Lifetime Gifting Exemption

Take advantage of higher exemption amounts to help optimize your wealth plan as it relates to estate and gift tax mitigation

Annual exclusion gifting*

- $17,000 in tax-free gifts annually in 2023
- $34,000 for married couples in 2023
- Amount increased from 2022
- Will likely increase to $18,000 per individual and $36,000 per married couple in 2024
- No limit to number of recipients
- Annual exclusion gifts can be made to 529 plans

Lifetime gifting exemption*

- All-time high federal exemption amounts provide a golden window of opportunity to make substantial gifts
- Federal lifetime gifting exemption amount in 2023
  - $12.92 million per person
  - $25.84 million per married couple
- Federal lifetime gifting exemption amount currently projected for 2024
  - Increase of approximately $690,000 (indexed for inflation)
- Without additional new legislation, the federal estate and gift tax exemption amount will sunset after December 31, 2025
  - $5 million per person (indexed for inflation)

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

Polling Question #2

How many beneficiaries have you made annual exclusion gifts to in 2023?

A. Between 1 to 5 beneficiaries

B. More than 5 but fewer than 10 beneficiaries

C. More than 10 beneficiaries

D. None

Lifetime Gifting Strategies

Use free lifetime gifting strategies to begin reducing future estate and gift tax exposure

Before year end, consider

- Outright gifts and gifts to trusts
- 529 education savings plans
  - Limit the use of a gift made to children
  - Provide for long-term education funding
- "Free gifts"
  - Direct payments to medical or educational institutions do not count toward annual exclusion or use of lifetime exemption
- Be mindful of timing requirements for gifts to qualify as being made in 2023

Strategic estate and gift tax opportunities

Take advantage of higher interest rate planning opportunities

There is a silver lining–planning strategies to consider for 2023

Gifting of assets with depressed values

- Opportunity to shield future growth in assets outside taxable estate

Substitute assets in grantor trusts*

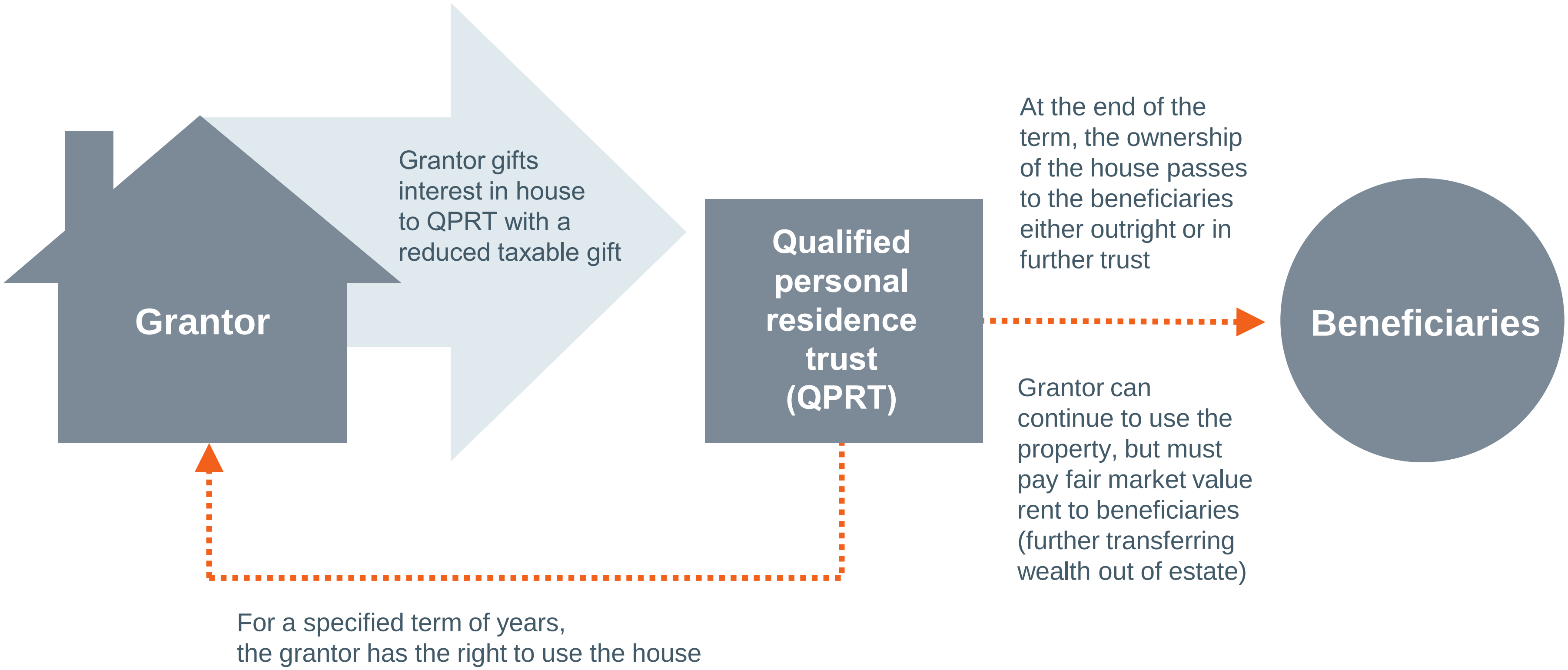
- Move out low-basis assets for high-basis assets
- Take advantage of step-up in basis

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

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

* See definition of terms on the last slide.

Qualified Personal Residence Trust (QPRT) Illustration



Who could potentially benefit from this technique?

- The owner of valuable personal real estate
- Someone who is willing to forego direct ownership for indirect ownership: Note that there is a requirement to pay rent after the QPRT term is over

Reassess Financial and Estate Plans

Year-end Financial Plan Review

Determine if you are still on track to meet your goals

Year-end financial plan review

- Are there planning opportunities that can be implemented before year end?

Stress test your assumptions

- Tweak your financial planning projections
- What if the Fed continues to raise interest rates, spurring a slowdown in the economy?

Broader considerations

- Rebalancing your portfolio
- Adjusting your retirement time horizon
- Amending major financial goals (gifts to family, charitable giving, vacation home purchase, etc.)

Investing involves risks, and you may incur a profit or a loss.

Polling Question #3

Did you experience one of the following life-changing events in 2023?

A. **Birth or adoption of a new child or grandchild**

B. **Marriage or divorce**

C. **New job or change in financial situation**

D. **I did not have a life-changing event**

Year-end Estate Plan Review

Don't set it and forget it

Reassessing your estate plan at year end and updating it accordingly is critical to help ensure it aligns with current personal and financial circumstances

Critical to help ensure distribution schemes reflect your wishes

- Help ensure bequests can still be fulfilled as intended
- Consider updating broader estate plan to coordinate other dispositions with newly implemented trusts and lifetime gifting strategies
- Existing plan may not be the best plan for you now

Important considerations

Do you have a foundational plan in place?

- Will*
- Trust*
- Powers of attorney* for health or financial matters

Are your fiduciary appointments still the right choices?

- Key fiduciaries:* executor,* trustee,* agents* (health and financial)
- Ensure they can fulfill their roles

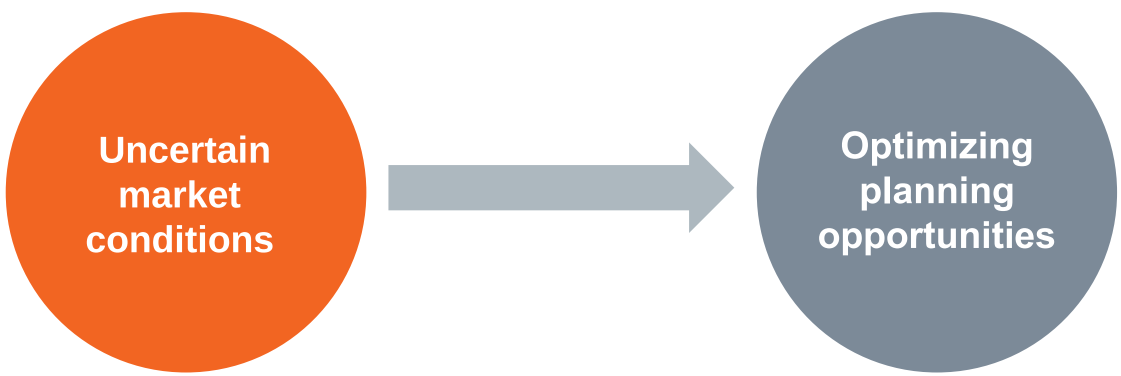
Are your beneficiary designations current?

- Review named beneficiaries* of retirement accounts, life insurance policies, and transfer-on-death accounts
- Review how assets are titled

* See definition of terms on the last slide.

Year-end Planning Summary

- Periods involving an uncertain market and economic environment can provide valuable planning strategies
- Even though there may be no imminent tax law changes or concerns, shifting personal lives and financial situations make routine year-end planning critical
- Implementing a plan that combines both fundamental strategies with opportunities specific to the market environment in 2023 may help optimize your tax and financial situation and create some certainty and peace of mind



Q&A

Alvina H. Lo

Chief Wealth Strategist

Contact information

277 Park Avenue
27th Floor
New York, NY 10172
212.415.0567
alo@wilmingtontrust.com

Specializing in:

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

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

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

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

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

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

Tammy Calabrese

Director, Wealth Strategies

As part of the Wilmington Trust Emerald Family Office & Advisory® team, Tammy is responsible for providing strategic and holistic wealth planning advice to successful high-net-worth individuals, entrepreneurs, executives, and their families by reviewing and illustrating their current plans, highlighting potential deficiencies, and modeling effective tax and estate planning strategies.

Tammy has over 15 years of experience working with high-net-worth individuals and families. Prior to joining Wilmington Trust, she was a partner at Williams Mullen in their Private Client & Fiduciary Services Practice Group. Her practice concentrated on trust and estate planning and administration where she advised and helped guide individuals, families, and business owners through estate, gift tax, and business succession planning. Tammy also advised individuals and financial institutions serving as fiduciaries in connection with estate and trust administration matters and handled related litigation issues. Earlier in her career, she was a partner at McGuireWoods, LLP in their Trusts & Estates Group.

Tammy holds a JD from the University of Pittsburgh School of Law, a Masters in Taxation from the Marshall-Wythe School of Law at the College of William and Mary, and a bachelor's degree in accounting from West Virginia University, where she graduated magna cum laude. She is admitted to the practice of law in Virginia and is a member of the Virginia State Bar Association.

Tammy is a member of the Northern Virginia Estate Planning Council and the Trusts & Estates Sections of the Fairfax Bar Association and the Virginia State Bar Association. She lives in Ashburn, Virginia and enjoys spending time with her family and friends, working out, and traveling to new places.

Contact information

1350 I Street NW
Suite 500
Washington, D.C. 20005
202.434.7003
tcalabrese1@wilmingtontrust.com

Specializing in:

- Estate and gift tax planning
- Wealth transfer planning
- Business succession planning
- Estate and trust administration
- Private client and fiduciary services

Wilmington Trust is not authorized to and does not provide legal, accounting, or tax advice.

Cailin MacLean, CFP®

Wealth Planner

Contact Information

1350 I Street NW
5th Floor
Washington, DC 20005
Phone | 410.244.4417
mmaclean@wilmingtontrust.com

Specializing in:

- Financial analysis
- Cash flow sustainability
- Retirement planning

As part of the Wilmington Trust Emerald Family Office & Advisory® team, Cailin is responsible for developing customized wealth management strategies and financial plans for successful individuals, families, and business owners. She works closely with other professional and family advisors to analyze financial positions and develop plans to help clients achieve personal and financial goals.

Cailin joined Wilmington Trust in 2018. She holds a bachelor's degree in economics from Hobart and William Smith Colleges. She is a CFP® professional having earned the CERTIFIED FINANCIAL PLANNER™ certification.

Cailin is an active member of the Financial Planning Association of the National Capital Area.

Disclosures

Wilmington Trust Emerald Family Office & Advisory® is a registered trademark and refers to wealth planning, family office and advisory services provided by Wilmington Trust, N.A., a member of the M&T family. Wilmington Family Office is a service mark for an offering of family office and advisory services provided by Wilmington Trust, N.A.

Wilmington Trust is a registered service mark used in connection with various fiduciary and non-fiduciary services offered by certain subsidiaries of M&T Bank Corporation including, but not limited to, Manufacturers & Traders Trust Company (M&T Bank), Wilmington Trust Company (WTC) operating in Delaware only, Wilmington Trust, N.A. (WTNA), Wilmington Trust Investment Advisors, Inc. (WTIA), Wilmington Funds Management Corporation (WFMC), Wilmington Trust Asset Management, LLC (WTAM), and Wilmington Trust Investment Management, LLC (WTIM). Such services include trustee, custodial, agency, investment management, and other services. International corporate and institutional services are offered through M&T Bank Corporation's international subsidiaries. Loans, credit cards, retail and business deposits, and other business and personal banking services and products are offered by M&T Bank, Member FDIC. Please visit our websites at www.wilmingtontrust.com and www.mtb.com for additional information regarding our brands and products and services offered.

Wilmington Trust is not authorized to and does not provide legal or tax advice. Our advice and recommendations provided to you are illustrative only and subject to the opinions and advice of your own attorney, tax advisor, or other professional advisor. The information in this article has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. The opinions, estimates, and projections constitute the judgment of Wilmington Trust and are subject to change without notice.

The information provided herein is for informational purposes only and is not intended as an offer or solicitation for the sale of any tax, estate planning, or financial product or service or a recommendation or determination that any tax, estate planning, or investment strategy is suitable for a specific investor. Note that tax, estate planning, and financial strategies require consideration for suitability of the individual, business, or investor, and there is no assurance that any strategy will be successful.

This information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. Opinions, estimates, and projections constitute the judgment of Wilmington Trust and are subject to change without notice. There is no assurance that any trend will continue.

Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results.

Third-party trademarks and brands are the property of their respective owners. Third parties referenced herein are independent companies and are not affiliated with M&T Bank or Wilmington Trust. Listing them does not suggest a recommendation or endorsement by Wilmington Trust..

Investment Products: Are NOT FDIC Insured | Have NO Bank Guarantee | May Go Down In Value

Definitions of terms

Agent
A person authorized to act on behalf of another person.

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

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

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

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

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

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

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

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

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

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