



# Winning at the Waiting Game

PLANNING OPPORTUNITIES  
YOU CAN IMPLEMENT NOW

With the next presidential election less than 100 days away, the COVID-19 pandemic surging and uncertainty about the economy, it feels like we're just waiting for a little bit of clarity. The problem with waiting is that when we wait we miss opportunities — some of which may be too good to miss. Instead, let's explore those opportunities and the ways in which seizing them can actually help set us up for success, regardless of the future.

## TO GIFT OR NOT TO GIFT

In 2017, the Tax Cuts and Jobs Act provided us with a doubled estate, gift and GST tax exemption, but only until the end of 2025. Since this sunset provision was implemented, high net worth individuals have been trying to decide when, or if, they should use this exemption. They find themselves in a staring match with Congress, not wanting to miss out on the opportunity if the sunset is accelerated but also not wanting to move too quickly in case the doubled amount becomes permanent. Instead of trying to read electoral or Congressional tea leaves, individuals should implement strategies that allow them to make the right decision for themselves and their families regardless of what happens with tax laws.

One of the easiest ways to do this is to lend or sell assets to a defective grantor trust. The transaction would take advantage of today's historically low AFR rates and should be designed to be self-completing through the repayment of the note. However, the transaction should be designed not to exceed the individual's available transfer tax exemption. This way, if the sunset is accelerated or happens as originally scheduled, the individual can choose to forgive the outstanding balance on the note, thereby using their increased exemption amount before it's too late without having to scramble to do last minute planning.

## INCOME TAXES: IS THE SKY TRULY THE LIMIT?

As the Senate works to finalize another round of stimulus funding in an effort to shore up the economy and provide support to those who are still without jobs, many people are starting to wonder how we will repay the debt for these sizeable stimulus packages. This has led to speculation that the repayment will come in the form of increased income taxes on high earners, bringing about an increased interest in tax-efficient means of storing and creating wealth.

One of the most efficient ways to accomplish this is through the use of a cash value-oriented life insurance policy. While life insurance has to be purchased with after-tax money, once the funds are inside the insurance contract, they accumulate income-tax free, can be accessed income-tax free, can provide for living benefits through a long-term care rider, and have an income-tax free self-completion feature through the death benefit. For this reason, high income earners and high net worth individuals across the country have been looking to the benefits of life insurance to get them out of the "what will happen to income taxes" Waiting Game.

These cash value-oriented life insurance policies can be owned personally by the insured, increasing the ease of access to the cash value. Or they can be put inside spousal access trusts which are funded with forgivable private loans, giving individuals the ability to utilize their increased exemption amount when the time is right.



## TAKING PROACTIVE STEPS

In addition to the loan-then-gift strategy or the purchase of cash-value life insurance for income tax mitigation, there are other strategies that may be appropriate right now. Many individuals are choosing to leverage low interest rates and use a third-party lender as the source for premiums. Or they are relying on the historically low AFR rates to create a GRAT to shift significant wealth to future generations. Often individuals are buying cash-value life insurance on minor children or grandchildren in order to provide them with a more secure financial future. And while they are using life insurance to provide for their family's financial stability, they are also using life insurance to create and enhance charitable endowments.

All of these different techniques have one thing in common — they are proactive steps that individuals can take today to get out of the Waiting Game. By utilizing one of these strategies, individuals can help ensure flexibility while still setting themselves up for future success, regardless of what happens in the world around them. And that's the best way to win at the Waiting Game!

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