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ESTATE PLANNING OPPORTUNITIES AND CONSIDERATIONS DURING COVID-19

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The COVID-19 pandemic, coupled with historically low interest rates and stock market volatility, presents compelling reasons for clients to revisit their existing estate plans. We encourage individuals to consider the following questions as they review their Wills, Revocable Trusts, and other estate planning documents:

- Have the value or nature of my assets changed significantly enough that I should reconsider gifts that I make at death?
- Do the changed health or circumstances of any of the fiduciaries named in my documents necessitate any changes to these appointments?
- Are my spouse's and my assets titled so as to ensure that each of us can utilize our estate tax exemptions, if appropriate?
- Should I make lifetime gifts while the generous Federal and State gift and estate tax exemptions remain in effect?
- Would one of the gifting techniques that is particularly effective in a low interest rate environment be a good option for me to pursue?
- Is it appropriate to fund my Revocable Trust (whether in part or in full) in order to ease the administration of my estate?

Recently adopted legislation, some in response to COVID-19, should also prompt clients to contemplate the following additional questions as they review their estate planning documents and beneficiary designations:

- Does Connecticut's overhaul of its trust laws through the recent adoption of the Uniform Trust Code require any updates to my documents?
- Would my family benefit from the creation of a trust with a longer duration (sometimes known as a "dynasty trust"), which opportunity exists because of Connecticut's extension of its rule against perpetuities?

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- Does the elimination (in most cases) of “stretch IRAs” for non-spouse beneficiaries following Congress’s enactment of the Setting Every Community Up For Retirement Enhancement Act (“**SECURE Act**”) require any changes to be made to my IRA beneficiary designations?
- Should I make a larger donation to a public charity in 2020 in light of the increased charitable contribution deduction that is permitted this year for cash gifts to most public charities, which is an opportunity allowed pursuant to the Coronavirus Aid, Relief and Economic Security Act (“**CARES Act**”)?

FEDERAL AND CERTAIN STATE TRANSFER TAX EXEMPTIONS

The following chart gives an overview of the existing Federal exemptions from estate, gift, and generation skipping transfer (“**GST**”) taxes, as well as those for Connecticut, New York, and Florida.

CERTAIN TRANSFER TAX EXEMPTIONS* UNDER CURRENT LAW				
	Federal	Connecticut	New York	Florida
Estate	2020: \$11.58 million 2021-2025: \$11.58 million (indexed annually for inflation) 2026: \$5 million (indexed for inflation from 2010 to 2026)	2020: \$5.1 million 2021: \$7.1 million 2022: \$9.1 million 2023 and after: to match Federal	2020: \$5.85 million	None
GST	Same as estate	None	None	None
Gift	Same as estate, but gifts made during life use up estate tax exemption	Same as estate, but gifts during life (made in or after 2005) use up estate tax exemption	None (but special rules for certain transfers made within three years of death)	None

**Exemptions cited are per individual*

Despite the generous Federal and State exemptions from estate, gift, and GST taxes that are currently in effect, clients should be mindful that future legislative action at the Federal and/or State levels could reduce the existing exemptions prior to 2026. Clients should also be aware that some estate tax planning techniques require a number of years to implement.

TAX PLANNING STRATEGIES IN LOW INTEREST RATE ENVIRONMENT

Interest rates are at historical lows. In June 2020, the applicable rates for short-, mid- and long-term loans are .18%, .43% and 1.01%, respectively. In addition, the rate for valuing an annuity is .6%.

The historically low interest rates provide an attractive opportunity to use certain estate tax planning techniques, including grantor retained and charitable lead annuity trusts (“**GRATs**” and “**CLATs**”), sales to intentionally defective grantor trusts in exchange for a note, qualified personal residence trusts (“**QPRTS**”), and intra family loans (whether making a new loan or refinancing an existing loan).

Those individuals who hold highly appreciated assets and would like to rebalance their portfolio because of concerns about future market changes, liquidity needs, or otherwise, and who have charitable

inclinations might consider establishing a charitable remainder trust (“**CRT**”). The transfer of the appreciated assets to the CRT does not result in the recognition of the income and will entitle the grantor to a charitable contribution deduction. The amount of the charitable gift is equal to the value of the property transferred to the trust, reduced by the value of the retained payments.

CONTACT US TO DISCUSS YOUR SITUATION

If you are interested in pursuing a gift program or would like to discuss your estate planning needs, please contact:

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