Anticipated changes in federal tax law might have many taxpayers in a “wait and see” mode. However, since there are many steps and strategies to be considered, your time is better spent beginning to prepare for reform. While this is often time-consuming, if you tackle it now, you and your team of professional advisors will be ready to develop a unified and well-informed plan when the time comes.

**Get prepared**

Gathering and organizing information is the first step in working with your team of advisors, including your Union Bank team, to take inventory of your current situation and begin to lay the groundwork for a going-forward plan.

To make the process more efficient, it is recommended that you complete a full assessment to include:

- Your goals — current and future
- Information about your assets, liabilities, income and expenses
- Income tax and gift tax returns (including entity tax returns)
- Your beneficiaries for Qualified Assets such as IRAs, 401(k)s and annuities
- Estate planning documents previously executed

“Getting organized can be the single greatest hurdle preventing clients from accomplishing their goals”

Jayne Hartley
Director
Senior Wealth Strategist
The Private Bank
Identify your team

It is important that your full team of advisors works together to make good decisions throughout the planning process. A simple but important exercise is to identify your team, such as your CPA, estate planning attorney, business attorney and CFO, and make sure they know each other.

The process of identifying your team should include:

- Identification of each team member
- What role they play
- Identification of vacancies/roles to be filled

Key considerations

As part of the planning process, you might want to consider the following scenarios:

1. **Estate tax repeal will likely be partnered with new capital gains tax.**
   If the estate tax is repealed and the gift tax is not, estate tax planning will be replaced by capital gains tax planning under a system that gives heirs either a “carryover basis” or possibly the Canadian-style trigger of all unrealized capital gains at death.

2. **Gift tax may not be repealed, making strategies to transfer assets during your lifetime important.**
   If you want to make transfers to family members to enjoy during your lifetime, you will need to ensure that tax-efficient strategies are effectively leveraged. Your Union Bank team can help you set up a transfer to family in the way that best benefits your tax situation.

3. **Life insurance planning is an effective tool under both the current and proposed tax system.**
   Life insurance planning can work to your advantage under the current estate tax system and the proposed carryover basis/capital gains tax system. Life insurance planning will also be needed for liquidity planning and to cover payoff of large loans and/or loan guarantees at your passing.

   If insurance is not needed for taxes or to pay off debts, your family gets to enjoy the money!

4. **Now is the time to consider low-interest family loans.**
   With interest rates rising, you might want to take advantage of the current low rate environment to make capital available to family members through a loan. The loan rate would be set on the date of the loan and would not readjust during the loan term. This same type of loan can also be made to entities that will ultimately benefit a family member, such as a Trust or other entity.
Charitable trusts can benefit from proposed capital gains tax system.
Even though proposed tax reform might place an annual cap on charitable deductions, there will still be potential benefits to setting up a charitable trust. This strategy allows you to defer and, in certain cases, eliminate capital gains taxes on the sale of appreciated assets (depending on how the proceeds are invested). It is especially relevant if you want to sell a highly-appreciated asset in a year when you live in a state with high income tax rates.

Defined benefit plans for certain business owners can generate significant income tax savings. If you are a business owner looking to retire in the next few years and you have few employees, particularly younger and/or part-time employees, a defined benefit plan can save on taxes. This strategy involves “over-funding” assets now on an income-deductible basis.

We can help
At The Private Bank, we take our role as your trusted advisor very seriously. We are here to ensure our clients are prepared, and to help them create strategies to both accomplish their goals and dreams and address their concerns before tax reform becomes a reality. As part of your team, our Wealth Planning group stands ready to help with these conversations and to analyze numbers where needed. We look forward to helping you.

For more information, speak to your relationship manager or visit us at unionbank.com/theprivatebank