Baker Avenue
Wealth Management

The Great Wealth Transfer Is Coming

How Will the Transfer of $68 Trillion in Assets Affect You?

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What Is the Great Wealth Transfer?

Baby boomers have amassed more wealth than any generation before them. Over the next two decades, they will be passing this wealth to younger generations. Estimates are that between $30 to $68 trillion will be transferred from Boomers (1946-1964) to Generation X (1965-1980) and Millennials (1981-1996). A significant portion of this wealth transfer will be inherited by women. In fact, research from McKinsey found that while women currently control about one-third of the wealth in the United States, more than two-thirds of wealth will be held by women by 2030.

While acquiring wealth though inheritance seems fairly straightforward, there are a number of considerations and strategies that must be considered by both the grantors and the beneficiaries to ensure an efficient and secure transfer of wealth. The transfer should achieve the wishes of the grantor while also providing the beneficiaries with a solid foundation to carry the assets forward and plan for their own future. Communication plays a crucial role in this process. In some instances, clients should discuss the value and nature of their assets, along with the details of the eventual transfer with their beneficiaries. On the other hand, some beneficiaries may be better served not knowing the amount of wealth they stand to inherit and some grantors may prefer to maintain a certain level of privacy. Understanding the importance of communication and the level of detail that grantors should relay to their beneficiaries is essential for an efficient transfer of wealth. Wealth advisors should help clients identify important issues and answer questions relating to their beneficiaries, which help clients determine the level of detail they want to share with those who will be inheriting their wealth.

While communication is key, before a client can determine the optimal level of communication with a beneficiary, he or she must first determine their goals surrounding the transfer of their wealth. Wealth advisors should help clients understand and define their goals regarding the growth and eventual transfer of their wealth. Once a client has defined such goals, there are various strategies to implement during their lives and at their death to ensure their wealth is protected for themselves and their beneficiaries. There are a variety of questions and topics that clients should address during this process, including:

- **Does it make sense to transfer assets during your lifetime?** Are there people or organizations that would benefit from an immediate gift or donation? It can be very rewarding to share your wealth during your lifetime because it allows you to witness the impact of your gifts. Depending on your overall net worth and corresponding estate tax exemption amount, making lifetime gifts may be beneficial from a tax perspective.

- **How should your remaining assets be distributed at your death?** Consider the age and capabilities of your beneficiaries to determine what type of protections you may want to apply to the assets they will be inheriting. Identify the optimal estate and tax planning techniques that should be implemented in your specific plan.

Also view worksheets in the appendix: **What Issues Should I Consider If I Experience a Sudden Wealth Event?**

What Do You Need to Consider from an Estate Planning Perspective?

Whether you are updating an existing estate plan, or are setting one up for the first time, the process requires you to answer several questions including:

- Will you need a will-based or trust-based plan?
- Who should you nominate to make important decisions on your behalf, and fill the roles of trustee, executor, attorney-in-fact, and health care agent?
- What type of structure is best for you and your family upon your death and/or the death of your spouse?

View worksheets in the appendix: **What Issues Should I Consider Before I Update My Estate Plan?**

These types of questions, along with the gift and estate tax considerations of estate planning, can make the process feel overwhelming at times. You can make things more manageable by thinking through these two or three main issues:

1. Who will make decisions on your behalf upon your death or if you become incapacitated?
    - Trustee
    - Executor
    - Attorney-in-fact
    - Healthcare agent
    - Guardian for minor children
2. If you are married, what happens when you or your spouse dies?
    - Are there any specific gifts you wish to make?
    - How will the assets be used to support the surviving spouse during his or her remaining lifetime?
    - What happens when the surviving spouse dies, or, if you are not married, what happens when you die? Who will inherit your assets?
    - Do any of your beneficiaries have special needs?
    - Are you charitably inclined?
    - How should the assets be transferred to your beneficiaries?

The ideal structure of your estate plan will depend on a variety of factors, including your overall net worth, the type of assets you own, your remaining estate tax exemption, your family dynamics, and the state you live in.

In addition, depending on your circumstances, making lifetime gifts and using trusts may also be recommended to maximize the value of assets passed down to your descendants.

For additional considerations, view worksheets in the appendix: **What Issues Should I Consider If My Spouse Passes Away?**

For more estate planning issues view:

- Am I Eligible for Social Security as a Surviving Spouse?
- Can I Delay Distributions from an IRA I Inherited?
- Will People I Make a Gift to Receive a Step-Up in Basis for the Gifted Property?

What Do You Need to Consider from a Tax Perspective?

The current estate and gift tax exemption is very generous – in 2022, it was over $12 million per person and $24 million per married couple. That means you can have an estate value at your passing, or make lifetime gifts, or a combination of lifetime gifts and estate value, up to those amounts and not owe any gift or estate tax.

For this reason, most estate planning for estates below these levels tends to focus on:

- Minimizing capital gains tax on assets to be passed to heirs or charities
- Maximizing the tax value of charitable donations
- Making lifetime gifts that do not require the filing of a gift tax return

The strategies used would involve one or more of the following:

- Taking full advantage of the step-up in basis on owner's passing and double step-up in community property states
- Making gifts of appreciated property to older (upstream) and younger (downstream) generations to exploit tax rate differentials
- Transferring appreciated securities or property to a Charitable Remainder Trust (CRT)
- Bunching charitable donations so as they exceed the standard deduction
- Timing charitable donations using a Donor Advised Fund to match deductions to years when your marginal tax rate is highest
- Making direct payments of college tuition and medical expenses
- Accelerating funding of a 529 college plan

To see if you will receive a step-up basis in a property you inherited, view the worksheets in the appendix: **Will I Receive a Step-Up in Basis in Appreciated Property that I Inherited?**

Leverage Highly Appreciated Assets to Gain Tax Benefits

Which Estate Planning Strategy Is Best for You?

Your Goal(s)	Grantor-Retained Annuity Trust	Spousal Lifetime Access Trust	Irrevocable Grantor Trust	Charitable Remainder Trust	Donor Advised Fund
Reduce income taxes				✓	✓
Reduce estate taxes	✓	✓	✓		
Reduce capital gains taxes				✓	✓
Received fixed income for trust term	✓			✓	
Receive income for life, hedged inflation				✓	
Keep assets during the lifetime	✓	✓		✓	
Help your heirs avoid income tax			✓		
Contributing Assets					
Cash		✓	✓	✓	✓
Appreciated securities	✓	✓	✓	✓	✓
Real estate	✓	✓	✓	✓	
Art, antiques, patents, and other personal property		✓	✓	✓	

For more details on estate planning and gifting strategies, visit bakerave.com or talk to an expert.

For estates valued at or above the Unified Estate and Gift Tax amounts, there are several strategies aimed specifically at minimizing the impact of the estate tax. However, many involve the owner of the asset transferring the asset to an irrevocable trust over which they may have only limited (or no) control in the future – the benefit being that the asset is now out of the taxable estate for estate tax purposes.

In some instances, it is possible to retain economic income from the trust assets even though the assets would be outside the taxable estate. Such specialized trusts would include Grantor Retained Annuity Trusts (GRATs) and Qualifying Residential Property Trusts (QRPTs).

The Unified Estate and Gift Tax Exemption amount is due to decrease to approximately $6 million per person from 2026 onwards, so more taxpayers will need to consider the impact of this change on their estate plans and estate tax liabilities as we approach 2026.

If you have questions about the Great Wealth Transfer and the impact it may have on you or your loved ones, please contact BakerAvenue.

Additional Resources:

- **What Issues Should I Consider for My Aging Parents?**
- **What Issues Should I Consider If My Parent Passed Away?**
- **Videos & FAQs: Estate Planning & Gifting**

Worksheets

2023 · WHAT ISSUES SHOULD I CONSIDER IF I EXPERIENCE A SUDDEN WEALTH EVENT?

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CASH FLOW ISSUES	YES	NO
Do you need to set aside cash or make a plan to fund any income tax liability that may result from the wealth event?	☐	☐
Do you plan to make any large expenditures in the near term? If so, consider holding adequate cash to fund the upcoming expenses.	☐	☐
Do you need to revisit your routine spending habits?	☐	☐
Are you able to save more? If so, reference "What Accounts Should I Consider If I Want To Save More?" checklist.	☐	☐
Will the increase in wealth affect any regular expenses that are tied to your income (e.g., tax, financial aid, student loans, Medicare costs)?	☐	☐

ASSET & DEBT ISSUES	YES	NO
Did you receive illiquid assets (e.g., notes, real estate, or interests in a private company)? If so, consider how to manage the assets and potential strategies for divestment and diversification.	☐	☐
Did you receive cash? If so, consider how much you are willing to invest for long-term growth, and establish a sound investment strategy. Reference the "What Issues Should I Consider When Reviewing My Investments?" checklist.	☐	☐
Does the wealth event have a foreign source? If so, consider what reporting requirements must be met and additional tax obligations, etc.	☐	☐
Are there any conditions that must be met to keep the new financial interests? (continue on next column)	☐	☐

ASSET & DEBT ISSUES (CONTINUED)	YES	NO
Do you have debts? If so, consider the following: ▪ If you have credit card debt, pay off balances, prioritizing cards with higher interest rates. ▪ If you have student loans, analyze your repayment options and the effect of paying off your balances in a lump sum. Reference the "What Issues Should I Consider When Paying Off My Student Loans?" checklist. ▪ If you have a mortgage, compare the merits of paying it off in a lump sum, making increased monthly payments, or maintaining the status quo.	☐	☐
Did you receive a gift or inheritance of non-cash assets? If so, understand the cost basis of the assets in your hands and the future tax consequences.	☐	☐
Have you made loans to family members? If so, consider the gift and income tax consequences associated with any forgiveness of payments or the loan balance.	☐	☐

INSURANCE PLANNING ISSUES	YES	NO
Have your life insurance needs changed? If so, consider the following: ▪ If you put policies in place to replace your income or eliminate debt in the event of your untimely death, review how your newly-acquired assets might reduce these needs. ▪ If your increase in net worth exposes you to federal and/or state estate taxation, explore using life insurance to fund your tax liability if your estate is illiquid.	☐	☐
Does your wealth increase your exposure to lawsuits? If so, consider additional umbrella insurance protection.	☐	☐

2023 · WHAT ISSUES SHOULD I CONSIDER IF I EXPERIENCE A SUDDEN WEALTH EVENT?

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WEALTH MANAGEMENT

TAX PLANNING ISSUES	YES	NO
Are you able to control the timing and terms of the wealth event? If so, review your payout options and consider booking transactions strategically across tax years to minimize the tax liability.	☐	☐
Will the wealth event have ordinary income tax character and consequences (e.g., inherited traditional IRA RMDs, bonuses, severance pay, certain settlements)? If so, consider the following: ▪ If tax isn't withheld, reserve adequate cash to pay income tax, and make estimated payments, if necessary. ▪ If you are on Medicare and the income increases your MAGI above $97,000 ($194,000 if MFJ), you may become subject to Part B and Part D surcharges in two years. ▪ If you have net investment income and the income increases your MAGI above $200,000 ($250,000 if MFJ), you may become subject to the NIIT.	☐	☐
Will the wealth event have capital gains tax character and consequences? If so, understand what capital gains rate applies to you, and consider harvesting losses to offset gains.	☐	☐
Do you want to reduce your taxable income to minimize tax and stay below certain thresholds? If so, consider maximizing pre-tax contributions to retirement plans, contributing to an FSA and HSA, and making deductible charitable gifts.	☐	☐

LONG-TERM PLANNING ISSUES	YES	NO
Is the wealth event significant enough to dramatically impact your financial position? If so, consider the following: ▪ Reevaluate your overall financial plan in light of your change in circumstances. ▪ Make appropriate adjustments to your objectives, risk tolerance, time horizon, etc. ▪ Adopt wealth preservation strategies that are tailored to your new situation. (continue on next column)	☐	☐

LONG-TERM PLANNING ISSUES (CONTINUED)	YES	NO
Do you have children/grandchildren that will pursue higher education? If so, consider funding 529 accounts or an education trust to save for future educational expenses. See the "What Issues Should I Consider To Fund My Child's Education?" checklist.	☐	☐
Do you need to review and/or revise your estate plan? If so, provide your updated financial information to your attorney, and plan for the disposition and possible taxation of your estate at your death.	☐	☐
Do you want to make gifts to your family and friends? If so, gifts up to the annual exclusion amount of $17,000 (per year, per donee) are gift tax-free.	☐	☐
Are you charitably inclined? If so, the tax year of the wealth event might be a good time to make a large charitable gift. Direct gifts to charities or a donor advised fund or advanced strategies such as charitable trusts and private foundations can reduce your income tax liability and fulfill your philanthropic goals.	☐	☐

OTHER ISSUES	YES	NO
Will your good fortune be publicized? If so, consider the following: ▪ If you won the lottery, you may be able to protect your privacy by claiming the winnings through an entity (e.g., a partnership or trust). Rules vary by state. ▪ You may be a target for fraud and scams. ▪ Be prepared to address requests from friends and family members for financial assistance.	☐	☐
Do you need to increase protective measures? If so, consider whether physical or cyber security measures are warranted.	☐	☐
Are there state-specific issues that should be considered?	☐	☐

2023 · WHAT ISSUES SHOULD I CONSIDER BEFORE I UPDATE MY ESTATE PLAN?

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BENEFICIARY & FIDUCIARY ISSUES	YES	NO
Have any individuals named as beneficiaries or fiduciaries (e.g., Executor, Trustee) passed away?	☐	☐
Are there any individuals (or charitable organizations) that should be added or removed as beneficiaries (primary or contingent)?	☐	☐
Have there been any marriages or divorces that would impact your estate plan?	☐	☐
Is there a beneficiary with special needs receiving government assistance?	☐	☐
Have there been (or could there be) any births that would impact your estate plan?	☐	☐
Do you need to protect any beneficiaries from a divorce, creditor issues, substance abuse or gambling issues?	☐	☐
Do you need to update the appointments under your Powers of Attorney (General and/or Health Care)?	☐	☐
Do you want to update any of your intentions as outlined in your Living Will?	☐	☐

ASSETS & PROPERTY RELATED ISSUES	YES	NO
Do you expect your estate will exceed your unused federal estate and gift tax exclusion amount (maximum $12.92 million, or $25.84 million if you are married)? If so, consider strategies to plan for a possible federal estate tax liability.	☐	☐
Do you wish to make specific bequests of assets that were not made in the current estate plan?	☐	☐
Have you bought or sold a second residence?	☐	☐
Do you own homes, investment property or tangible property in two or more different states?	☐	☐
Have there been any material changes to your assets (ownership or valuation)?	☐	☐

MINORS & CHILDREN RELATED ISSUES	YES	NO
Have any of your children reached age 18 (or the age of majority in your state)? If so, they no longer need to have a guardian or personal representative.	☐	☐
If you have children under age 18, do you need to appoint or change the named Guardians and/or Trustees?	☐	☐
Do you have an adult child who has no spouse or child? If so, consider talking to your child about implementing their own Powers of Attorney (General and Health Care), perhaps appointing you to act on their behalf if they are unable to do so.	☐	☐

OTHER ISSUES	YES	NO
Have there been any changes to state or federal laws since your estate plan was last reviewed?	☐	☐
Are there digital assets that should be preserved?	☐	☐
Are there any state-specific issues that should be considered such as a state estate tax?	☐	☐

2023 · WHAT ISSUES SHOULD I CONSIDER IF MY SPOUSE PASSED AWAY?

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CASH FLOW ISSUES	YES	NO
Will your cash flow needs change? If so, consider developing a new income and expense plan.	☐	☐
Do you need to review your eligibility for Social Security benefits? If so, consider the following: ■ You may be eligible for survivor benefits. Reference "Am I Eligible For Social Security Benefits As A Surviving Spouse?" flowchart. ■ If you are receiving a government pension based on earnings that were never subjected to Social Security taxes, you may be subject to a Government Pension Offset.	☐	☐
Did your spouse reach their Required Beginning Date, or were they taking an RMD from an inherited IRA at the time of their death? If so, the beneficiary(ies) must satisfy any remaining RMD amount on behalf of your spouse before the end of the year.	☐	☐
Was your spouse receiving a pension? If so, payments may stop or be adjusted for survivor benefits.	☐	☐

ESTATE SETTLEMENT ISSUES	YES	NO
Did your spouse appoint you executor under their Will? If so, contact an attorney to assist with probate proceedings (if necessary).	☐	☐
Did your spouse pass away without a Will? If so, you or a family member will likely need to be appointed executor and the estate will be subject to the state's intestate rules.	☐	☐
Do you have more assets than you need to maintain your lifestyle? If so, and acceptable contingent beneficiaries have been named, you may wish to disclaim these assets to shift them to other beneficiaries. This must be done within nine months of the date of death.	☐	☐
Do any accounts or other assets require ownership to be updated? (continue on next column)	☐	☐

ESTATE SETTLEMENT ISSUES (CONTINUED)	YES	NO
Will your spouse's estate exceed their remaining federal estate and gift tax exclusion amount ($12.92 million, if no lifetime use), or will your combined estates exceed your remaining combined exclusion amounts ($25.84 million, if no lifetime use)? If so, consider the following: ■ You may have a federal estate tax liability due. ■ Remember, proceeds from a life insurance policy owned by the deceased and values of retirement accounts are included in the gross estate. ■ To maintain portability of unused exemption, you must file IRS Form 706. Normally, Form 706 is due nine months from the date of death (with a six-month extension available). However, if Form 706 is filed only to elect portability, it is due within five years of the date of death.	☐	☐
If there is an estate tax liability, was the total value of the estate on the date of death greater than the value at six months after the date of death? If so, you may elect on Form 706 to use the alternate valuation date to reduce estate taxes, valuing all assets as of six months after the date of death (unless sold within that period).	☐	☐
Could there be property and assets not yet identified? If so, consider the following: ■ Consider looking at the "points" feature on credit cards and "miles" with airlines to see if they are transferable. ■ Check for safe deposit boxes but be sure to follow probate rules before opening. ■ Search state agencies and unclaimed property sites that are run by many state treasurers.	☐	☐
Do you need to update your own estate plan?	☐	☐
Are there digital assets that should be preserved?	☐	☐

2023 · WHAT ISSUES SHOULD I CONSIDER IF MY SPOUSE PASSED AWAY?

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INSURANCE ISSUES	YES	NO
Was your spouse employed at time of death? The employer/union may provide group life insurance and/or compensation related to their employment.	☐	☐
Was your spouse a veteran? If so, you may be eligible for death and burial benefits, a survivor pension, and/or other benefits.	☐	☐
Was the death accidental or work related? If so, consider the following: ▪ Some financial institutions and professional associations may offer a small lump-sum benefit. ▪ The employer/union may offer additional death benefits. ▪ You may be eligible for worker's compensation and/or death benefits. ▪ Some life insurance policies have an "accidental death" provision for higher benefits.	☐	☐
Did you and your spouse have a minor child or a child permanently disabled? If so, you and/or the child may be eligible for Social Security survivors benefits.	☐	☐
Could there be any life insurance owned by your spouse or insuring the life of your spouse that has not been identified or claimed?	☐	☐

TAX ISSUES	YES	NO
Did you and your spouse own your home? If so, you may still qualify for the $500,000 capital gains housing exclusion if the home is sold within two years of your spouse's death, and other conditions are met.	☐	☐
Did you own property jointly with your deceased spouse? If so, you may receive a step-up in basis for the assets passing from your spouse. Reference "Will I Receive A Step-Up In Basis For The Appreciated Property I Inherited?" flowchart. (continue on next column)	☐	☐

TAX ISSUES (CONTINUED)	YES	NO
Do you need to confirm that all of your spouse's prior income taxes have been paid? If so, contact the IRS and the state taxing authorities to check if any back taxes are due and make any necessary payments.	☐	☐
Did you file as Married Filing Jointly? If so, you can continue to file as MFJ in the year your spouse passed away.	☐	☐
Do you have a dependent child? If so, you may be able to use the Qualifying Widow(er) tax filing status for the two tax years following the year your spouse passed away.	☐	☐

INVESTMENT & ASSET ISSUES	YES	NO
Did your spouse have stock options, grants, or restricted stock units? If so, consider how these assets will impact your tax liability and your cash flow planning.	☐	☐
Has the change in circumstances altered your investment objectives or risk tolerance?	☐	☐
If your spouse was a business owner, does a plan need to be developed to transfer/sell the business?	☐	☐
If you or your spouse have annuities or other illiquid assets, do they need to be reviewed to understand options?	☐	☐

OTHER ISSUES	YES	NO
Do you need to reduce the threat of identity theft? If so, cancel your spouse's email accounts, social media accounts, and driver's license, and notify credit bureaus, the election board, etc.	☐	☐
Are there any state-specific issues that should be considered (including out-of-state property or estate tax liability)?	☐	☐

2023 · WILL I RECEIVE A STEP-UP IN BASIS FOR THE APPRECIATED PROPERTY I INHERITED?

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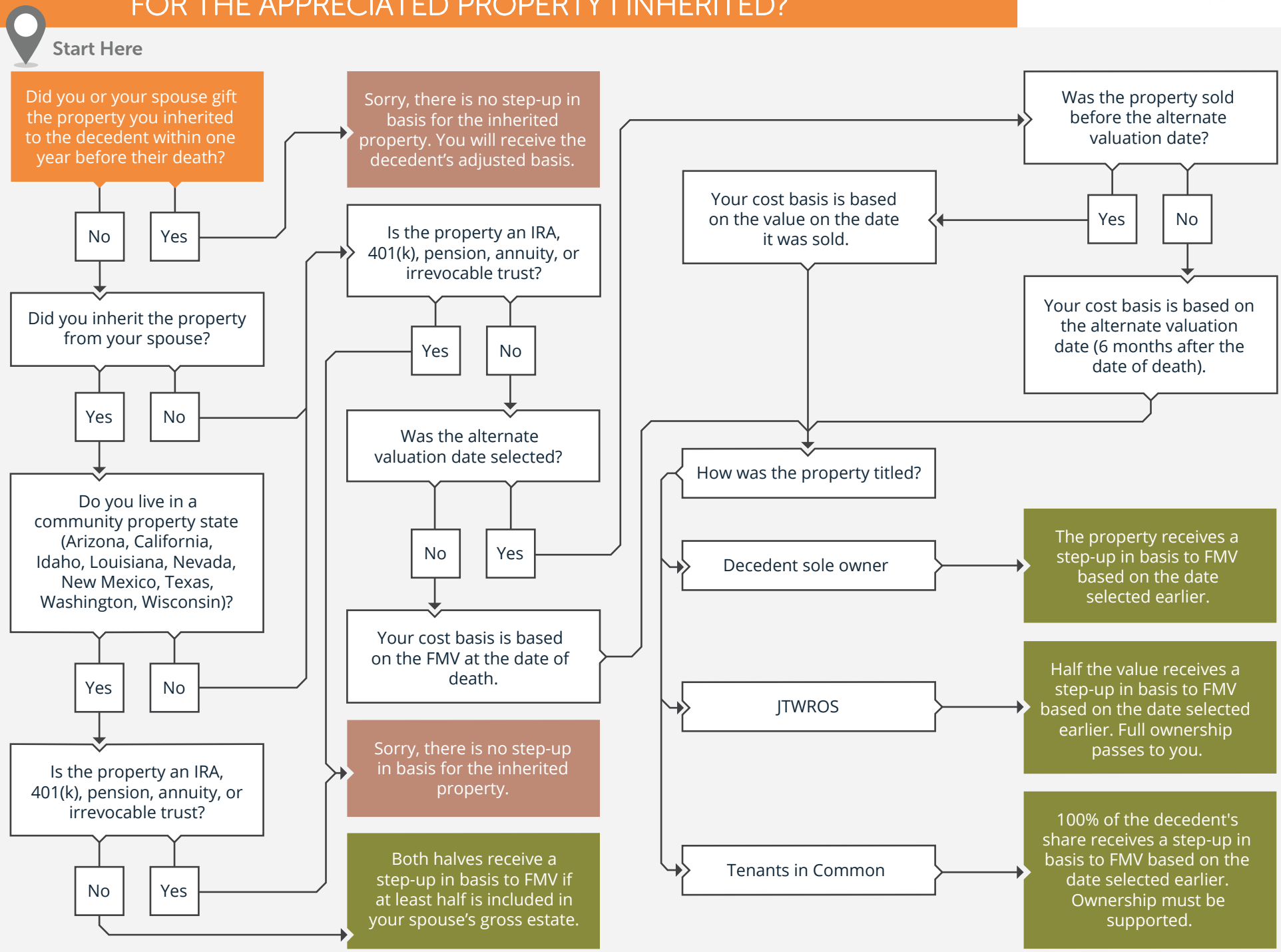

Helping You Embrace Life's Transitions.

Since 2004, BakerAvenue has guided clients through personal and professional life transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations and endowments. Driven by our purpose, we strive to make a positive impact on society alongside financial return. We're headquartered in San Francisco with offices in New York, Dallas, Seattle, San Diego and Sun Valley.

For more information, please contact us or visit us at bakerave.com.

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