

# Estate Tax Projections

## Potential changes in federal estate tax laws

Mr. & Mrs. Valued Client

A dramatic decrease in the federal estate tax has occurred over the last two decades. In 2001, the exemption was just \$675,000; in 2020 it is \$11,580,000. Additionally, the maximum tax rate is now 40%, down from 55% in 2001. Back then, an estate worth \$11.5M would have paid \$6M in taxes; this year, that same estate would pay \$0.

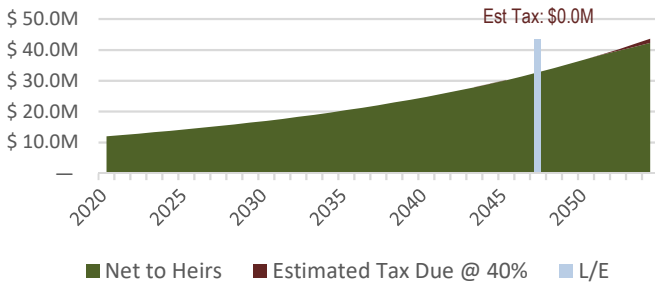
However, at least some of that progress is likely to be lost going forward. Beginning in 2026, assuming no tax law changes, the exemption will be half of what it was in 2025. In other words, it will take an act of Congress to avoid the automatic sunset of the current high exemptions.

Federal debt is at an all-time high and continued deficit spending looks likely to continue at least through the remainder of 2020 as Congress tries to deal with the pandemic. A change in the presidency could bring about major tax policy changes. If so, it is reasonable to assume the estate tax will be viewed as one potential source of increased federal revenue.

**Current Estate Assets worth \$ 12,000,000**

	Current Value	Growth
Inv. Portfolio	6,000,000	5.0%
Cash & Personal Property	2,500,000	0.0%
Real Estate	3,500,000	3.0%

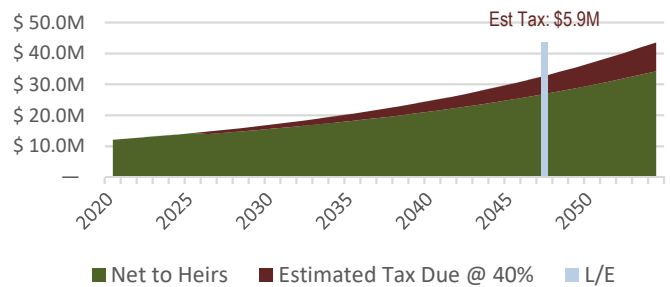
Based on TCJA of 2017 -  
assuming NO sunset after 2025



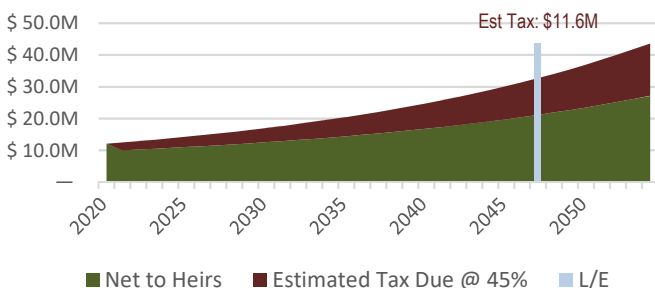
If Congress acts to make the TCJA estate tax provisions permanent, many quite wealthy people have little or no estate tax exposure prior to life expectancy.

If Congress fails to act before 2026, the exemption increase will "sunset" - effectively cutting the individual exemption amount in half. That will cause a fair number of wealthy people to develop "taxable estates".

Based on TCJA of 2017 -  
assuming sunset after 2025



Assuming repeal of estate  
tax reform of TCJA effective 2021



If the election in November 2020 results in a Democratic administration and Democratic control of Congress, some observers think that a repeal of the TCJA estate tax reforms is possible as early as 2021. In that case, many wealthy people will have an immediate and growing estate tax exposure.

# Estate Tax Projections

Based on TCJA of 2017 - assuming NO sunset after 2025

Mr. & Mrs. Valued Client

Current Ages: 64 / 61

Individual Exemption: \$11.58M, indexed at 1.64%

**Current Estate Assets worth \$ 12,000,000**

	Current Value	Growth
Inv. Portfolio	6,000,000	5.0%
Cash & Personal Property	2,500,000	0.0%
Real Estate	3,500,000	3.0%

Year	Ages	Cal Year	Estate Tax Exclusion Applicable Exclusion Indexed @ 1.64%	Estate Asset Values				Estimated Estate Taxes			Prob of 2nd Death
				Inv. Portfolio @ 5.0%	Cash & Personal Property @ 0.0%	Real Estate @ 3.0%	Total Estate Value	Value subject to Estate Tax	Estimated Tax Due @ 40%	Net to Heirs	
1	64/61	2020	23,160,000	6,000,000	2,500,000	3,500,000	12,000,000	—	—	12,000,000	0.0%
2	65/62	2021	23,530,000	6,300,000	2,500,000	3,605,000	12,405,000	—	—	12,405,000	0.0%
3	66/63	2022	23,920,000	6,615,000	2,500,000	3,713,150	12,828,150	—	—	12,828,150	0.0%
4	67/64	2023	24,310,000	6,945,750	2,500,000	3,824,545	13,270,295	—	—	13,270,295	0.0%
5	68/65	2024	24,710,000	7,293,038	2,500,000	3,939,281	13,732,318	—	—	13,732,318	0.1%
6	69/66	2025	25,120,000	7,657,689	2,500,000	4,057,459	14,215,149	—	—	14,215,149	0.1%
7	70/67	2026	25,530,000	8,040,574	2,500,000	4,179,183	14,719,757	—	—	14,719,757	0.2%
8	71/68	2027	25,950,000	8,442,603	2,500,000	4,304,559	15,247,161	—	—	15,247,161	0.3%
9	72/69	2028	26,370,000	8,864,733	2,500,000	4,433,695	15,798,428	—	—	15,798,428	0.5%
10	73/70	2029	26,810,000	9,307,969	2,500,000	4,566,706	16,374,675	—	—	16,374,675	0.7%
11	74/71	2030	27,250,000	9,773,368	2,500,000	4,703,707	16,977,075	—	—	16,977,075	1.0%
12	75/72	2031	27,690,000	10,262,036	2,500,000	4,844,819	17,606,855	—	—	17,606,855	1.5%
13	76/73	2032	28,150,000	10,775,138	2,500,000	4,990,163	18,265,301	—	—	18,265,301	2.1%
14	77/74	2033	28,610,000	11,313,895	2,500,000	5,139,868	18,953,763	—	—	18,953,763	2.9%
15	78/75	2034	29,080,000	11,879,590	2,500,000	5,294,064	19,673,654	—	—	19,673,654	3.9%
16	79/76	2035	29,560,000	12,473,569	2,500,000	5,452,886	20,426,455	—	—	20,426,455	5.2%
17	80/77	2036	30,040,000	13,097,248	2,500,000	5,616,473	21,213,720	—	—	21,213,720	6.9%
18	81/78	2037	30,530,000	13,752,110	2,500,000	5,784,967	22,037,077	—	—	22,037,077	8.9%
19	82/79	2038	31,030,000	14,439,715	2,500,000	5,958,516	22,898,231	—	—	22,898,231	11.2%
20	83/80	2039	31,540,000	15,161,701	2,500,000	6,137,271	23,798,972	—	—	23,798,972	14.0%
21	84/81	2040	32,060,000	15,919,786	2,500,000	6,321,389	24,741,176	—	—	24,741,176	17.2%
22	85/82	2041	32,590,000	16,715,776	2,500,000	6,511,031	25,726,807	—	—	25,726,807	20.9%
23	86/83	2042	33,120,000	17,551,564	2,500,000	6,706,362	26,757,926	—	—	26,757,926	25.0%
24	87/84	2043	33,660,000	18,429,143	2,500,000	6,907,553	27,836,695	—	—	27,836,695	29.5%
25	88/85	2044	34,220,000	19,350,600	2,500,000	7,114,779	28,965,379	—	—	28,965,379	34.4%
26	89/86	2045	34,780,000	20,318,130	2,500,000	7,328,223	30,146,352	—	—	30,146,352	39.8%
27	90/87	2046	35,350,000	21,334,036	2,500,000	7,548,069	31,382,106	—	—	31,382,106	45.4%
28	91/88	2047	35,930,000	22,400,738	2,500,000	7,774,512	32,675,249	—	—	32,675,249	51.2%
29	92/89	2048	36,520,000	23,520,775	2,500,000	8,007,747	34,028,522	—	—	34,028,522	57.0%
30	93/90	2049	37,120,000	24,696,814	2,500,000	8,247,979	35,444,793	—	—	35,444,793	62.6%
31	94/91	2050	37,720,000	25,931,654	2,500,000	8,495,419	36,927,073	—	—	36,927,073	67.8%
32	95/92	2051	38,340,000	27,228,237	2,500,000	8,750,281	38,478,518	138,518	55,407	38,423,111	72.6%
33	96/93	2052	38,970,000	28,589,649	2,500,000	9,012,790	40,102,438	1,132,438	452,975	39,649,463	77.1%
34	97/94	2053	39,610,000	30,019,131	2,500,000	9,283,173	41,802,305	2,192,305	876,922	40,925,383	81.3%
35	98/95	2054	40,260,000	31,520,088	2,500,000	9,561,669	43,581,756	3,321,756	1,328,703	42,253,054	85.1%

- Indexing is based on changes to the CPI-U as published by the U.S. Bureau of Labor Statistics
- Asset growth rates assumed net after-tax

# Estate Tax Projections

Based on TCJA of 2017 - assuming sunset after 2025

Mr. & Mrs. Valued Client

Current Ages: 64 / 61

Individual Exemption: \$5.79M, indexed at 1.64%

**Current Estate Assets worth \$ 12,000,000**

	Current Value	Growth
Inv. Portfolio	6,000,000	5.0%
Cash & Personal Property	2,500,000	0.0%
Real Estate	3,500,000	3.0%

Year	Ages	Cal Year	Estate Tax Exclusion Applicable Exclusion Indexed @ 1.64%	Estate Asset Values				Estimated Estate Taxes			Prob of 2nd Death
				Inv. Portfolio @ 5.0%	Cash & Personal Property @ 0.0%	Real Estate @ 3.0%	Total Estate Value	Value subject to Estate Tax	Estimated Tax Due @ 40%	Net to Heirs	
1	64/61	2020	23,160,000	6,000,000	2,500,000	3,500,000	12,000,000	—	—	12,000,000	0.0%
2	65/62	2021	23,530,000	6,300,000	2,500,000	3,605,000	12,405,000	—	—	12,405,000	0.0%
3	66/63	2022	23,920,000	6,615,000	2,500,000	3,713,150	12,828,150	—	—	12,828,150	0.0%
4	67/64	2023	24,310,000	6,945,750	2,500,000	3,824,545	13,270,295	—	—	13,270,295	0.0%
5	68/65	2024	24,710,000	7,293,038	2,500,000	3,939,281	13,732,318	—	—	13,732,318	0.1%
6	69/66	2025	25,120,000	7,657,689	2,500,000	4,057,459	14,215,149	—	—	14,215,149	0.1%
7	70/67	2026	12,760,000	8,040,574	2,500,000	4,179,183	14,719,757	1,959,757	783,903	13,935,854	0.2%
8	71/68	2027	12,970,000	8,442,603	2,500,000	4,304,559	15,247,161	2,277,161	910,864	14,336,297	0.3%
9	72/69	2028	13,180,000	8,864,733	2,500,000	4,433,695	15,798,428	2,618,428	1,047,371	14,751,057	0.5%
10	73/70	2029	13,400,000	9,307,969	2,500,000	4,566,706	16,374,675	2,974,675	1,189,870	15,184,805	0.7%
11	74/71	2030	13,620,000	9,773,368	2,500,000	4,703,707	16,977,075	3,357,075	1,342,830	15,634,245	1.0%
12	75/72	2031	13,840,000	10,262,036	2,500,000	4,844,819	17,606,855	3,766,855	1,506,742	16,100,113	1.5%
13	76/73	2032	14,070,000	10,775,138	2,500,000	4,990,163	18,265,301	4,195,301	1,678,120	16,587,181	2.1%
14	77/74	2033	14,300,000	11,313,895	2,500,000	5,139,868	18,953,763	4,653,763	1,861,505	17,092,258	2.9%
15	78/75	2034	14,540,000	11,879,590	2,500,000	5,294,064	19,673,654	5,133,654	2,053,461	17,620,192	3.9%
16	79/76	2035	14,780,000	12,473,569	2,500,000	5,452,886	20,426,455	5,646,455	2,258,582	18,167,873	5.2%
17	80/77	2036	15,020,000	13,097,248	2,500,000	5,616,473	21,213,720	6,193,720	2,477,488	18,736,232	6.9%
18	81/78	2037	15,260,000	13,752,110	2,500,000	5,784,967	22,037,077	6,777,077	2,710,831	19,326,246	8.9%
19	82/79	2038	15,510,000	14,439,715	2,500,000	5,958,516	22,898,231	7,388,231	2,955,292	19,942,939	11.2%
20	83/80	2039	15,770,000	15,161,701	2,500,000	6,137,271	23,798,972	8,028,972	3,211,589	20,587,383	14.0%
21	84/81	2040	16,030,000	15,919,786	2,500,000	6,321,389	24,741,176	8,711,176	3,484,470	21,256,705	17.2%
22	85/82	2041	16,290,000	16,715,776	2,500,000	6,511,031	25,726,807	9,436,807	3,774,723	21,952,084	20.9%
23	86/83	2042	16,560,000	17,551,564	2,500,000	6,706,362	26,757,926	10,197,926	4,079,171	22,678,756	25.0%
24	87/84	2043	16,830,000	18,429,143	2,500,000	6,907,553	27,836,695	11,006,695	4,402,678	23,434,017	29.5%
25	88/85	2044	17,110,000	19,350,600	2,500,000	7,114,779	28,965,379	11,855,379	4,742,152	24,223,227	34.4%
26	89/86	2045	17,390,000	20,318,130	2,500,000	7,328,223	30,146,352	12,756,352	5,102,541	25,043,811	39.8%
27	90/87	2046	17,670,000	21,334,036	2,500,000	7,548,069	31,382,106	13,712,106	5,484,842	25,897,263	45.4%
28	91/88	2047	17,960,000	22,400,738	2,500,000	7,774,512	32,675,249	14,715,249	5,886,100	26,789,150	51.2%
29	92/89	2048	18,260,000	23,520,775	2,500,000	8,007,747	34,028,522	15,768,522	6,307,409	27,721,113	57.0%
30	93/90	2049	18,560,000	24,696,814	2,500,000	8,247,979	35,444,793	16,884,793	6,753,917	28,690,876	62.6%
31	94/91	2050	18,860,000	25,931,654	2,500,000	8,495,419	36,927,073	18,067,073	7,226,829	29,700,244	67.8%
32	95/92	2051	19,170,000	27,228,237	2,500,000	8,750,281	38,478,518	19,308,518	7,723,407	30,755,111	72.6%
33	96/93	2052	19,480,000	28,589,649	2,500,000	9,012,790	40,102,438	20,622,438	8,248,975	31,853,463	77.1%
34	97/94	2053	19,800,000	30,019,131	2,500,000	9,283,173	41,802,305	22,002,305	8,800,922	33,001,383	81.3%
35	98/95	2054	20,130,000	31,520,088	2,500,000	9,561,669	43,581,756	23,451,756	9,380,703	34,201,054	85.1%

- Indexing is based on changes to the CPI-U as published by the U.S. Bureau of Labor Statistics
- Asset growth rates assumed net after-tax

# Estate Tax Projections

Assuming repeal of estate tax reform of TCJA effective 2021

Mr. & Mrs. Valued Client

Current Ages: 64 / 61

Individual Exemption: \$3.5M - no indexing

**Current Estate Assets worth \$ 12,000,000**

Current Value

Growth

Inv. Portfolio	6,000,000	5.0%
Cash & Personal Property	2,500,000	0.0%
Real Estate	3,500,000	3.0%

Year	Ages	Cal Year	Estate Tax Exclusion	Estate Asset Values				Estimated Estate Taxes			Prob of 2nd Death
				Inv. Portfolio @ 5.0%	Cash & Personal Property @ 0.0%	Real Estate @ 3.0%	Total Estate Value	Value subject to Estate Tax	Estimated Tax Due @ 45%	Net to Heirs	
1	64/61	2020	23,160,000	6,000,000	2,500,000	3,500,000	12,000,000	—	—	12,000,000	0.0%
2	65/62	2021	7,000,000	6,300,000	2,500,000	3,605,000	12,405,000	5,405,000	2,432,250	9,972,750	0.0%
3	66/63	2022	7,000,000	6,615,000	2,500,000	3,713,150	12,828,150	5,828,150	2,622,668	10,205,483	0.0%
4	67/64	2023	7,000,000	6,945,750	2,500,000	3,824,545	13,270,295	6,270,295	2,821,633	10,448,662	0.0%
5	68/65	2024	7,000,000	7,293,038	2,500,000	3,939,281	13,732,318	6,732,318	3,029,543	10,702,775	0.1%
6	69/66	2025	7,000,000	7,657,689	2,500,000	4,057,459	14,215,149	7,215,149	3,246,817	10,968,332	0.1%
7	70/67	2026	7,000,000	8,040,574	2,500,000	4,179,183	14,719,757	7,719,757	3,473,891	11,245,866	0.2%
8	71/68	2027	7,000,000	8,442,603	2,500,000	4,304,559	15,247,161	8,247,161	3,711,222	11,535,939	0.3%
9	72/69	2028	7,000,000	8,864,733	2,500,000	4,433,695	15,798,428	8,798,428	3,959,293	11,839,135	0.5%
10	73/70	2029	7,000,000	9,307,969	2,500,000	4,566,706	16,374,675	9,374,675	4,218,604	12,156,071	0.7%
11	74/71	2030	7,000,000	9,773,368	2,500,000	4,703,707	16,977,075	9,977,075	4,489,684	12,487,391	1.0%
12	75/72	2031	7,000,000	10,262,036	2,500,000	4,844,819	17,606,855	10,606,855	4,773,085	12,833,770	1.5%
13	76/73	2032	7,000,000	10,775,138	2,500,000	4,990,163	18,265,301	11,265,301	5,069,385	13,195,916	2.1%
14	77/74	2033	7,000,000	11,313,895	2,500,000	5,139,868	18,953,763	11,953,763	5,379,193	13,574,570	2.9%
15	78/75	2034	7,000,000	11,879,590	2,500,000	5,294,064	19,673,654	12,673,654	5,703,144	13,970,509	3.9%
16	79/76	2035	7,000,000	12,473,569	2,500,000	5,452,886	20,426,455	13,426,455	6,041,905	14,384,550	5.2%
17	80/77	2036	7,000,000	13,097,248	2,500,000	5,616,473	21,213,720	14,213,720	6,396,174	14,817,546	6.9%
18	81/78	2037	7,000,000	13,752,110	2,500,000	5,784,967	22,037,077	15,037,077	6,766,684	15,270,392	8.9%
19	82/79	2038	7,000,000	14,439,715	2,500,000	5,958,516	22,898,231	15,898,231	7,154,204	15,744,027	11.2%
20	83/80	2039	7,000,000	15,161,701	2,500,000	6,137,271	23,798,972	16,798,972	7,559,538	16,239,435	14.0%
21	84/81	2040	7,000,000	15,919,786	2,500,000	6,321,389	24,741,176	17,741,176	7,983,529	16,757,647	17.2%
22	85/82	2041	7,000,000	16,715,776	2,500,000	6,511,031	25,726,807	18,726,807	8,427,063	17,299,744	20.9%
23	86/83	2042	7,000,000	17,551,564	2,500,000	6,706,362	26,757,926	19,757,926	8,891,067	17,866,859	25.0%
24	87/84	2043	7,000,000	18,429,143	2,500,000	6,907,553	27,836,695	20,836,695	9,376,513	18,460,182	29.5%
25	88/85	2044	7,000,000	19,350,600	2,500,000	7,114,779	28,965,379	21,965,379	9,884,421	19,080,958	34.4%
26	89/86	2045	7,000,000	20,318,130	2,500,000	7,328,223	30,146,352	23,146,352	10,415,859	19,730,494	39.8%
27	90/87	2046	7,000,000	21,334,036	2,500,000	7,548,069	31,382,106	24,382,106	10,971,948	20,410,158	45.4%
28	91/88	2047	7,000,000	22,400,738	2,500,000	7,774,512	32,675,249	25,675,249	11,553,862	21,121,387	51.2%
29	92/89	2048	7,000,000	23,520,775	2,500,000	8,007,747	34,028,522	27,028,522	12,162,835	21,865,687	57.0%
30	93/90	2049	7,000,000	24,696,814	2,500,000	8,247,979	35,444,793	28,444,793	12,800,157	22,644,636	62.6%
31	94/91	2050	7,000,000	25,931,654	2,500,000	8,495,419	36,927,073	29,927,073	13,467,183	23,459,890	67.8%
32	95/92	2051	7,000,000	27,228,237	2,500,000	8,750,281	38,478,518	31,478,518	14,165,333	24,313,185	72.6%
33	96/93	2052	7,000,000	28,589,649	2,500,000	9,012,790	40,102,438	33,102,438	14,896,097	25,206,341	77.1%
34	97/94	2053	7,000,000	30,019,131	2,500,000	9,283,173	41,802,305	34,802,305	15,661,037	26,141,268	81.3%
35	98/95	2054	7,000,000	31,520,088	2,500,000	9,561,669	43,581,756	36,581,756	16,461,790	27,119,966	85.1%

- Indexing is based on changes to the CPI-U as published by the U.S. Bureau of Labor Statistics
- Asset growth rates assumed net after-tax