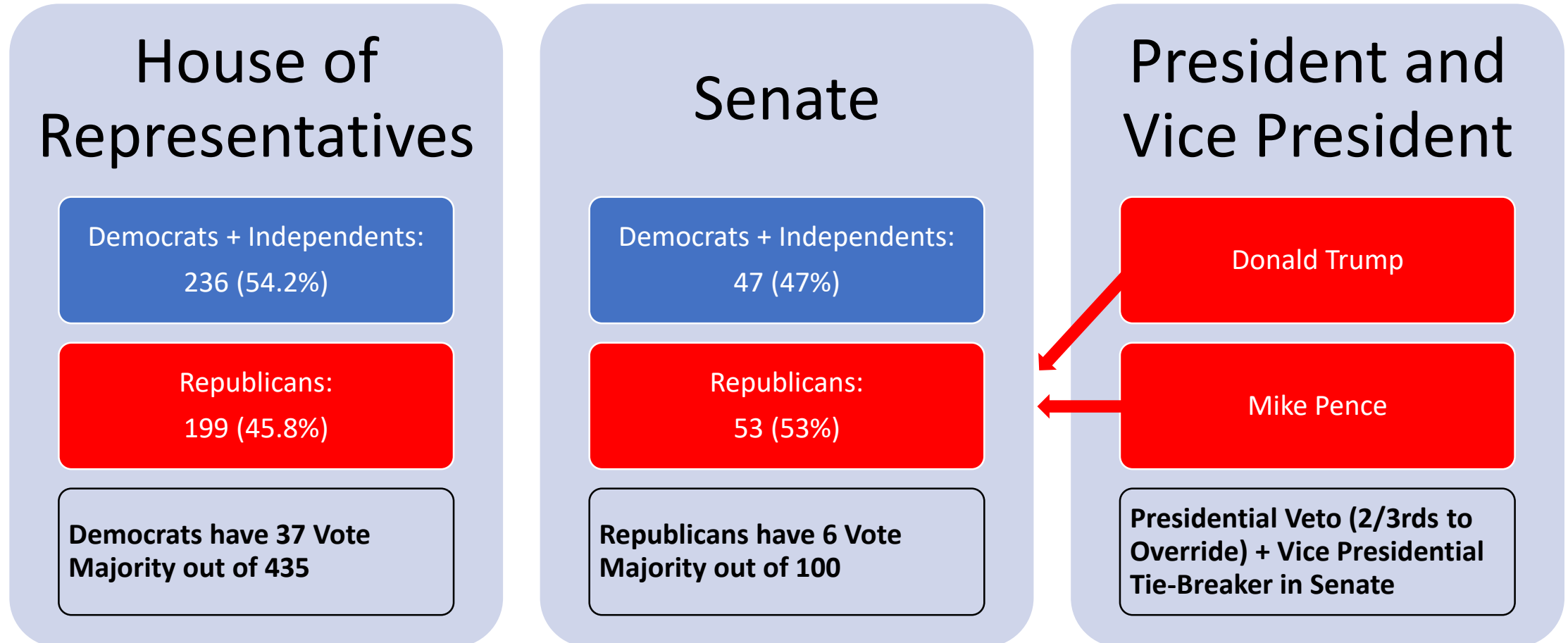


Estate Planning in the U.S. Leading Up to the 2020 Elections

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Prepared for TTN
Malta 2019 Annual General Meeting
September 20, 2019

Current Composition of U.S. Congress and Executive:



U.S. Elections November 3, 2020:

House of Representatives

All members up for re-election

Democrats + Independents:
Can lose 18 Seats and Hold

Republicans:
Need Gain of 19 Seats to Control

Senate

33 Seats + 2 Special Elections = 35
Total Seats
(23 Republican and 12 Democrat)

Democrats + Independents:
Need Gain of 4 (or 3) Seats to
Control

Republicans:
Can lose 2 (or 3 Seats) and Hold

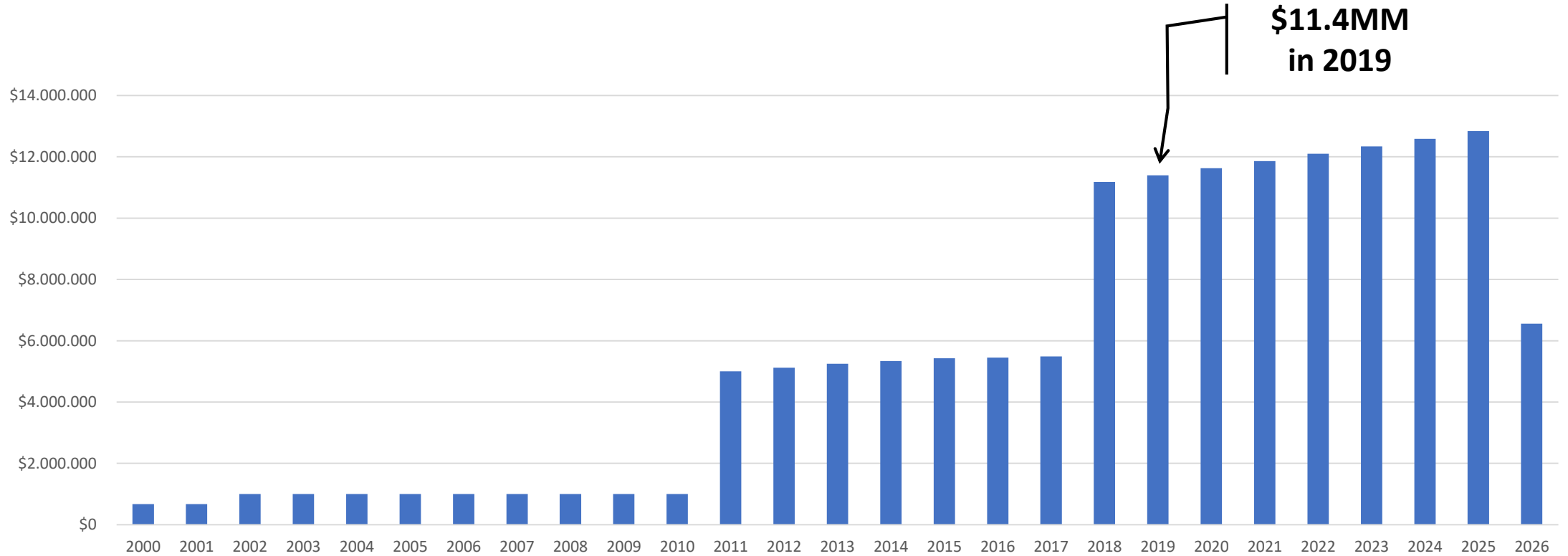
President and Vice President

--- Trump/Pence vs. ???
--- 20 Declared Democratic
Challengers:
--- Biden, Buttigieg, Harris,
Sanders, Warren + 15 Others

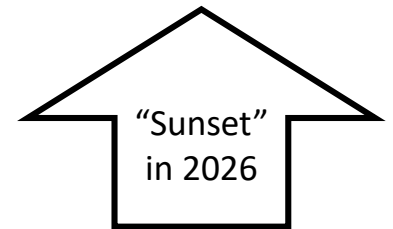
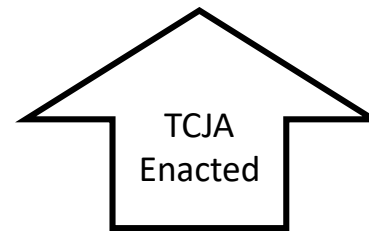
Political Change and Estate Planning for U.S. Taxpayers:

- **With a relatively small electoral shift, Republicans could lose the Senate and/or the Presidency in 2020.**
- **Change in control of Congress and/or the Presidency in 2020 could jeopardize the tax law changes made in the "Tax Cuts and Jobs Act"(TCJA) enacted on December 22, 2017.**
- **In estate planning, a major changes resulting from the TCJA was a very large increase in the gift tax, estate tax and generation skipping transfer tax exclusions.**

U.S. Gift Tax Exclusion Since 2000:



\$11.4MM
in 2019

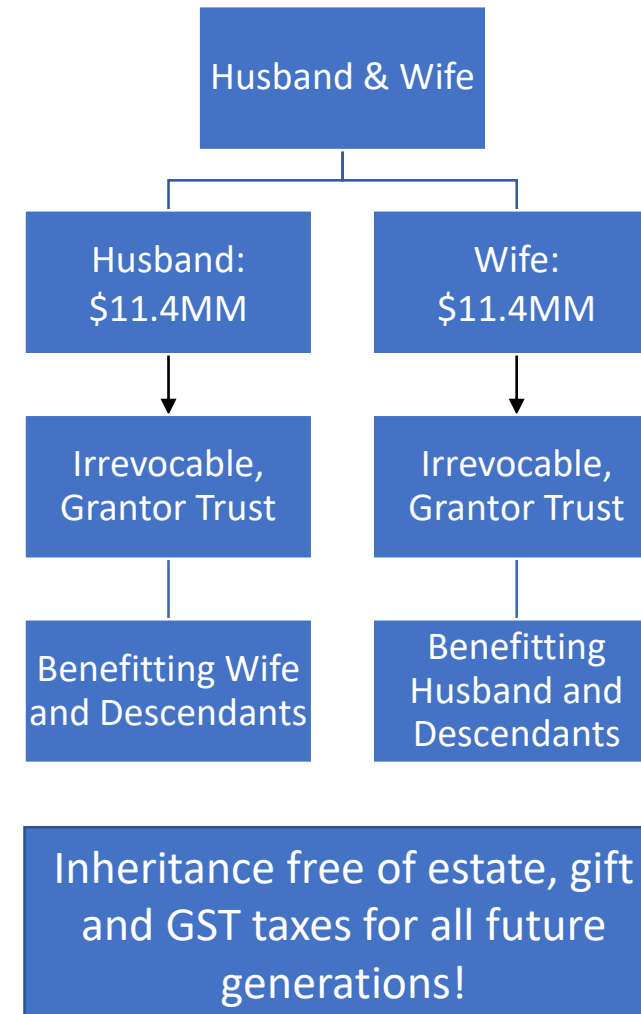


Positions of Some Candidates on the Estate Tax:

Candidate	Donald Trump	Current Law	Kamala Harris	Joe Biden	Elizabeth Warren	Cory Booker	Bernie Sanders
Maximum Estate Tax Rate	0%	40%	More than 40%	?	55%	65%	77%
Estate Exclusion	N/A	\$11.4MM	Less than \$11.4MM	?	\$675,000	?	\$3.5MM
Other Proposals				No step-up in basis at death	Annual Wealth Tax; 2% over \$50MM		

What are Wealthy U.S. Taxpayers Doing in this Uncertain Political Climate?

The huge gift tax exemptions available under current law, combined with political uncertainties, are encouraging wealth clients to make large gifts now to irrevocable, multigenerational trusts. These trusts are usually structured as grantor trusts for income tax purposes, which further enhances the magnitude of the assets captured.



Has a “Gifting Boom” Like This Happened Before?

- **Yes.** In 2011 and 2012 there was another “gifting boom,” due to the pending expiration of Bush-era tax cuts under the “fiscal cliff” on December 31, 2012. How big was the boom?
- Between 2003 and 2010, the IRS in the U.S. received on average about 250,000 gift tax returns each year reporting aggregate gifts of about \$40BN.
- For 2011, the number of returns did not increase significantly, but the gifts did --- totaling **\$134.8BN**. What were the numbers for 2012? 369,000 returns reporting **\$421.3BN** in gifts!

Other Observations:

- **Locking In:** Most practitioners believe that gifting now “locks in” the use of the gift exemption, even if Congress reduces the exemption in the future.
- **Selling Assets:** In addition to gifting, clients are aggressively selling assets to their irrevocable grantor trusts, usually in exchange for promissory notes.
- **Jurisdictional Choice:** States in the U.S. are becoming more divergent in terms of trust and tax laws.
- **Fiduciary Choices:** To create trusts in favorable jurisdictions in the U.S., clients are increasingly looking to alternative fiduciary arrangements, such as forming Private Trust Companies.