Beyond wills & beneficiaries: Key components of estate planning

When it comes to estate planning, you may start with the basics: writing a will, naming beneficiaries, and choosing an executor. While these steps are certainly important, they're just the beginning. Here are a few ideas that go beyond the basics to consider including in your estate plan.

Beyond basic estate planning

■ **Add a personal touch with a letter of intent.** Not everything that matters in your estate plan can be captured in a legal document. While it's not legally binding like a will or trust, a letter of intent can help explain your intentions, values, wishes, and the why behind your decisions. This letter can help reduce confusion, clear up questions, and avoid misunderstandings with your loved ones after you're gone.

Planning Tip: *Remember that a letter of intent isn't a replacement for legal planning, but it can be a powerful companion.*

■ **Consider a personal property memorandum (PPM).** While the house, bank accounts and investments get most of the attention in estate planning, sometimes it's the smaller, more personal items that carry the most sentimental value. A PPM is a separate document, referenced in your will, that lets you spell out exactly who should receive which specific personal belongings, such as jewelry, furniture, family heirlooms, or even everyday items with emotional meaning.

Planning Tip: *You can update a PPM any time without having to go through the formal process of amending your will. Remember though that to be enforceable, your PPM must be mentioned in your will.*

■ **Plan for *What-Ifs* using powers of attorney (POA).** Estate planning isn't just about what happens when you're gone. It's also about when you're still alive but can't manage your own affairs. Having powers of attorney in place means someone you trust can step in and handle finances, pay bills, talk to doctors, and make important calls if you can't.

Planning Tip: *Some banks, hospitals and other institutions may reject POAs that are several years old or don't meet their internal requirements, even if the POA is otherwise legally valid. Consider updating your POA every few years and check with your bank, hospital, and other organizations to ensure they'll honor it.*

Other estate planning tips

■ **Plan for your pets (legally).** Don't assume someone will just take them. You can designate a caregiver and even create a pet trust to fund their care. This can be important if you own an expensive or long-lived animal like horses, parrots, or exotic pets.

■ **Think ahead about guns and collectibles.** Transferring guns may involve federal or state restrictions, while collectibles might need appraisals and specific care instructions. Heirs may accidentally break the law when dealing with these types of items.

■ **Fund your trusts.** Creating a trust is great, but if you don't actually transfer assets into it, it's a fancy binder with no teeth. Make sure property deeds, accounts, and other assets are retitled in the trust's name.

■ **Name a backup for everything.** Executor, trustee, power of attorney, healthcare proxy – have backups for everyone, and sometimes a backup for the backup. If your primary point person is unavailable, it's likely everything gets delayed or challenged.

■ **Help your heirs avoid a tax surprise.** Even if your estate is never taxed, your heirs may still owe income or inheritance taxes. Plan now for how assets are taxed when transferred to your heirs. ❑

TAX PLANNING INSIGHTS

Year-End 2025

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Dear Clients and Friends,

As 2025 comes to a close, it's a good time to review your financial plans and make any necessary moves to optimize your upcoming tax obligation. Recent legislation introduces new tax rules, audit activity continues to rise, and estate planning remains a key part of long-term preparation.

In this edition of the Tax Planning Insights newsletter, learn about several tax savings strategies including what the One Big Beautiful Bill Act of 2025 means for you, and how to reduce your audit risk as your income and assets continue to grow.

Also explore several estate planning steps that go beyond the basics.

These insights are sent as a reminder of our commitment to help you minimize your taxes. Please call if you have any questions about your tax situation.

TIPS to turn into tax savings

Now is the perfect time to take a fresh look at your taxes. With new rules impacting every U.S. taxpayer, take the time to fine-tune your tax plan and set yourself up for a strong start to 2026. Here are several moves to consider right now.

Reconsider your SALT deduction strategy. With the state and local tax (SALT) deduction limit increasing from $10,000 to $40,000 in 2025, review how you handle your state and local taxes. If you live in a high-tax area, this could mean taking a fresh look into whether itemizing now makes more sense.

Consider bundling two years worth of property taxes into one year, along with bunching two or more years of charitable deductions into 2025. This strategy can help you cross the itemization threshold more easily and boost your deductions even further.

Explore how changes impact business owners. Owners of pass-through entities such as S corporations, partnerships, or sole proprietors should plan their approach for the rest of 2025 and into 2026. Start by reviewing your projected net income for the final quarter and consider whether an adjustment to your estimated tax payment is warranted.

Also revisit whether the pass-through entity tax (PTET) makes sense for your business. While it may be too late to elect for 2025, many states have early PTET deadlines to opt in for 2026.

Consider donating appreciated stock. Instead of donating cash, consider giving appreciated securities you've held for more than a year. You not only avoid paying capital gains tax on the appreciation, but also receive a charitable deduction for the fair market value of the stock. This helps lower your tax bill while still supporting causes that matter to you.

This strategy can be especially valuable in years when your portfolio is performing well and you're holding highly appreciated assets. For example, if you purchase stock for $10,000 and it's now worth $25,000, donating the stock directly means you can deduct the full $25,000 without ever realizing the $15,000 gain. This avoids thousands of dollars in potential capital gains tax while still helping the charity.

Plan your residency across states. If you have a long-time homestead in one state and another property elsewhere, your residency status and how you split time between states can have significant tax consequences. States are becoming more aggressive in asserting tax residency, with where you're classified as a resident potentially impacting your income, estate, and inheritance taxes.

If you wish to change your state of residency, start making plans to establish your 2026 domicile with items such as voter registration, your driver's license and mailing address, then review how this move aligns with your long-term tax planning goals. ❑

TOP IRS AUDIT TRIGGERS FOR HIGH-INCOME, HIGH-NET WORTH FAMILIES

Here are some common audit triggers to be aware of and ways to manage this risk.

Audit Trigger #1: Complicated income streams. Receiving income from businesses, partnerships, investments, real estate, and trusts involve different tax forms and rules, increasing the chance of mistakes.

What you can do: *Keep accurate records and be diligent about receiving, reviewing, and sorting all relevant tax documents.*

Audit Trigger #2: Significant charitable contributions. Large donations, especially non-cash, are a top audit trigger. The IRS wants to ensure that deductions are properly valued and documented.

What you can do: *Obtain formal appraisals for large non-cash gifts. Ensure donations are made to qualified charities and that all required forms are attached to your return.*

Audit Trigger #3: Use of private foundations or donor-advised funds (DAFs). These vehicles offer strategic ways to manage charitable giving, but they also come with specific compliance requirements. The IRS monitors them closely to prevent misuse.

What you can do: *Follow the rules around distributions, self-dealing, and allowable expenses. Keep detailed records of all grants and administrative costs.*

Audit Trigger #4: High spending relative to reported income. If a tax return shows moderate income but the taxpayer appears to lead a much more expensive lifestyle, it may prompt further inquiry. The IRS may examine whether the taxpayer is underreporting income or relying on untaxed sources.

What you can do: *Document non-taxable cash inflows like inheritances, gifts, or asset sales. Be ready to explain them if spending doesn't match reported income.*

Audit Trigger #5: Foreign assets & accounts. Owning overseas bank accounts, property, or investments requires careful compliance with IRS reporting rules. This includes the Foreign Account Tax Compliance Act (FATCA) and Report of Foreign Bank and Financial Accounts (FBAR) requirements. The IRS has improved access to foreign financial data and actively monitors for non-disclosure.

What you can do: *Report all foreign holdings accurately and on time. File required forms like the FBAR (Form 114) and Form 8938 when applicable.* ❑

NEW TAX LAW

opens the door to tax-saving opportunities

The recently passed One Big Beautiful Bill Act of 2025 unlocks a mix of permanent tax rate certainty, estate and gift tax preservation, and adjusted deductions. With all the changes in the bill, it places a premium on tax planning. Here are several tax planning moves to consider with the changes now in place.

✔ ***Review your records for tax-free tip and overtime income.*** This year's law change requires some historic research back to the beginning of the year. Get your payroll records and add up your historic tip & overtime hours and pay. You will need this to ensure you are getting credit for all your tip & overtime income.

✔ ***Re-evaluate your itemized deductions.*** Now is a great time to conduct a quick review of your situation to see if your 2025 tax return can be filed with itemized deductions. If you paid significant state income taxes, have high property taxes, have multiple homes, or own a small business that is a pass-through entity like a sole proprietorship, partnership, or an S corporation, you may be in a great position to itemize your deductions.

✔ ***New $6,000 senior deduction.*** The new law introduces a new senior deduction of $6,000 per individual if you are age 65 or older. This deduction is in addition to the current age-based standard deduction, but is reduced if your income is more than $75,000 ($150,000 if married).

✔ ***Review expanded 529 plan benefits.*** The annual tax-free withdrawal limit for K-12 tuition is doubled to $20,000 per student beginning in 2026. In addition, eligible expenses now go far beyond tuition. You can now use 529 funds for books, online learning materials, tutoring, homeschooling costs, and educational therapies for children with disabilities. By contributing strategically and timing withdrawals, families can fund a wider range of educational needs while keeping growth and withdrawals tax-free.

✔ ***Fine-tune your step-up basis strategy.*** With the higher estate tax exemption now permanent, many families now won't face federal estate taxes. This news makes crafting step-up in basis strategies far more important. Consider focusing on how to structure your assets to minimize capital gains taxes by maximizing the step-up basis after you pass away, which can erase unrealized gains for your heirs. Strategies like holding appreciated assets until death, carefully timing asset sales, and using trusts designed for basis management can deliver longer-term tax savings.

✔ ***Keep an eye on state tax changes.*** Many states conform, either fully or partially, to the Internal Revenue Code, but they don't always update their rules immediately or in the same way. Some states may adopt the new bill's provisions, while others may reject or modify them to protect revenue or align with local policy goals. These differences can directly affect your tax planning, as the interaction between federal and state rules can impact the value of your deductions and the timing of income.

✔ ***Re-evaluate your estimated taxes.*** If you're self-employed or own a business, consider reviewing your estimated tax liability for 2025. With the new tax law increasing many deductions, you may owe less tax than you originally projected. Adjusting your remaining estimated tax payments can free up cash flow, prevent overpayments, and ensure your money isn't sitting with the IRS interest-free.

Now is the time to revisit your 2025 tax plan with new rules and expanded deductions now in play. Please call if you have any questions about your specific tax planning approach. ❑