

Money Matters

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Skloff Financial Group Question of the Month

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Q: We read ‘How a Gift Can Be a Tax Dream or a Tax Nightmare’ Part 1 and Part 2. We also read ‘How To (Legally) Avoid Taxes When Selling Your Home’ Part 1, Part 2 and Part 3. Furthermore, we read ‘How Gifting Versus Selling Your Home Can Be a Tax Dream or a Tax Nightmare’ Part 1, Part 2 and Part 3. Then, we read ‘How a Step-Up in Basis Can Be a Tax Dream’ Part 1, Part 2 and Part 3. Lastly, we read ‘How Community Property States Versus Separate Property States Can Be a Tax Dream or a Tax Nightmare’ Part 1, Part 2 Part 3 and Part 4. Can you explain estate taxes and the estate tax exemption?

The Problem – Taxes While You Live and Taxes When You Die

After a lifetime of income taxes, capital gains taxes, gift taxes and other taxes, the IRS has another tax when you die – the estate tax.

The Solution – Understanding the Estate Tax and Estate Tax Exemption

The estate tax is assessed when your estate, in excess of your exemption, is transferred at your death. It is based on your assets less your liabilities at your date of death. The assets may consist of cash and securities, real estate, insurance, trusts, annuities, business interests and other assets. The liabilities may consist of mortgages, other debts and estate administration expenses.

In 2024, the first \$13.61 million of your estate for single individuals or \$27.22 million for married couples is estate tax free due to the estate tax exemption – **a tax dream**. Larger estates are subject to a **40%** top tax rate. The exemption is expected to collapse in 2026. See the table below.

Estate Tax			
Year	Exemption for Singles	Exemption for Married Couples	Top Tax Rate
2017	\$5,490,000	\$10,980,000	40%
2018	\$11,180,000	\$22,360,000	40%
2019	\$11,400,000	\$22,800,000	40%
2020	\$11,580,000	\$23,160,000	40%
2021	\$11,700,000	\$23,400,000	40%
2022	\$12,060,000	\$24,120,000	40%
2023	\$12,920,000	\$25,840,000	40%
2024	\$13,610,000	\$27,220,000	40%
2025	\$14,018,000 estimate	\$28,036,000 estimate	40%
2026	\$6,800,000 estimate	\$13,600,000 estimate	40% estimate

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2024 Estate Tax Examples. If you are **single** and die with \$16 million of assets and \$1 million of liabilities, your estate is worth \$15 million. Based on your \$13.61 million estate tax exemption, your taxable estate is \$1.39 million. Based on the estate tax rates on the first \$1 million of your taxable estate and the next \$390,000, your estate tax is \$501,800. Your estate value after taxes is \$14,498,200 – **a tax dream**. See the table below.

If you are a **married couple** that dies with \$32 million of assets and \$2 million of liabilities, your estate is worth \$30 million. Based on your \$27.22 million estate tax exemption, your taxable estate is \$2.78 million. Based on the estate tax rates on the first \$1 million of your taxable estate and the next \$1.78 million, your estate tax is \$1,057,800. Your estate value after taxes is \$28,942,200 – **a tax dream**. See the table below.

2024 Estate Tax						
	Single	Married	Taxable Amount	Tax Rate	Single Tax	Married Tax
Total Assets	\$16,000,000	\$32,000,000	\$1 to \$10,000	18.0%	\$1,800	\$1,800
Total Liabilities	\$1,000,000	\$2,000,000	\$10,001 to \$20,000	20.0%	\$2,000	\$2,000
Estate Value	\$15,000,000	\$30,000,000	\$20,001 to \$40,000	22.0%	\$4,400	\$4,400
Estate Tax Exemption	\$13,610,000	\$27,220,000	\$40,001 to \$60,000	24.0%	\$4,800	\$4,800
Taxable Estate	\$1,390,000	\$2,780,000	\$60,001 to \$80,000	26.0%	\$5,200	\$5,200
Estate Tax	\$501,800	\$1,057,800	\$80,001 to \$100,000	28.0%	\$5,600	\$5,600
Estate Value After Taxes	\$14,498,200	\$28,942,200	\$100,001 to \$150,000	30.0%	\$15,000	\$15,000
			\$150,001 to \$250,000	32.0%	\$32,000	\$32,000
			\$250,001 to \$500,000	34.0%	\$85,000	\$85,000
			\$500,001 to \$750,000	37.0%	\$92,500	\$92,500
			\$750,001 to \$1,000,000	39.0%	\$97,500	\$97,500
			\$1,000,001 and above	40.0%	\$156,000	\$712,000
					\$501,800	\$1,057,800
					Total	Total

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Action Steps

Work closely with your Registered Investment Adviser (RIA) to reduce your taxes, and grow and preserve your wealth.

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