

WILMINGTON TRUST

# Emerald Advisory Services<sup>®</sup>

PROVIDING STRATEGIC TRANSITION PLANNING AND SOLUTIONS

## Year-End Estate and Tax Planning 2022: Fundamentals to the Forefront

**Alvina Lo**

Chief Wealth Strategist

**Dolly Donnelly**

Director of Wealth Strategies

**Matthew Mancini, CFP<sup>®</sup>, ChFC<sup>®</sup>, AEP<sup>®</sup>**

Wealth Planning Team Leader

October 20, 2022



**WILMINGTON  
TRUST**

MEMBER OF THE M&T FAMILY

# Year in Review

## Unsettling dynamics

### **Volatile markets**

Major drops and gains in the markets have affected portfolio values

### **Increasing interest rates**

Rapid rise in interest rates from historic lows

### **High inflation**

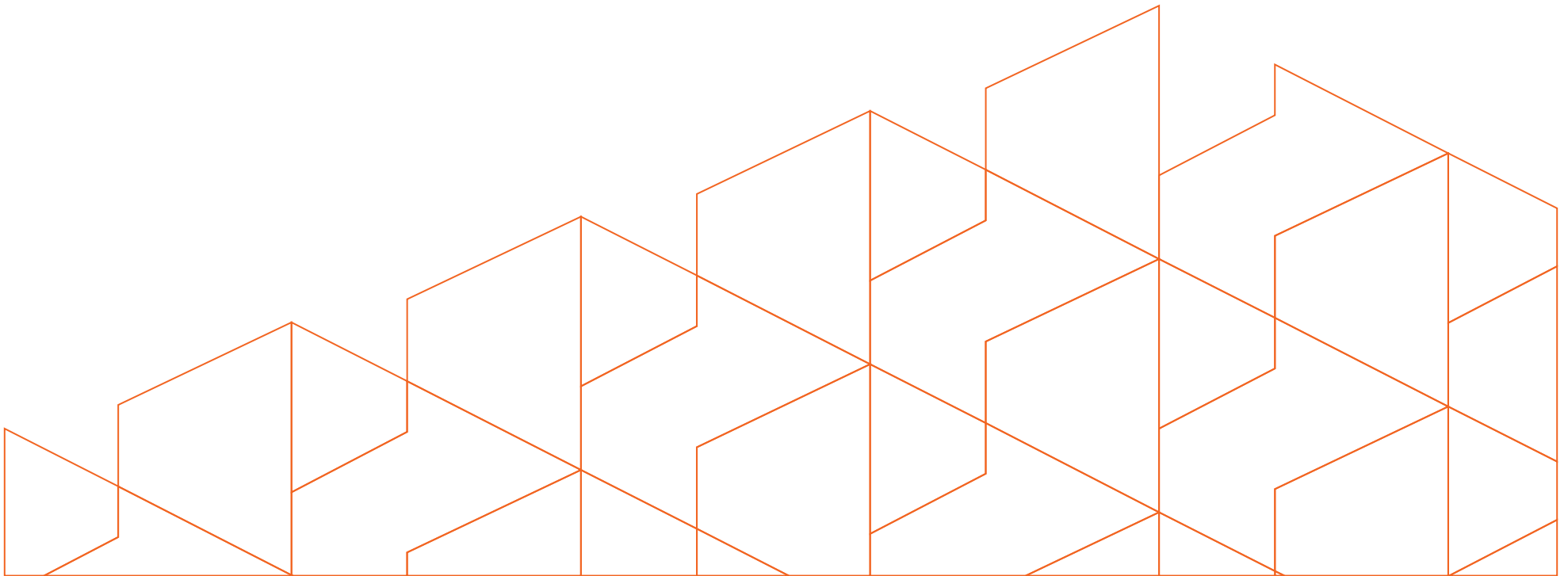
Highest level of inflation in recent history

## The constant

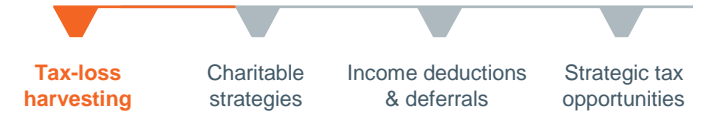
### **Tax legislation**

No substantial new changes to tax laws after varying proposals over the last couple of years

# Review your income tax picture



# Tax-loss harvesting



## What is tax-loss harvesting

- Realization of capital losses to offset taxable gains

## Key considerations

- Potentially greater losses than usual this year due to market volatility
  - Carry forward any unused capital losses to use in future years
- Avoid the wash sale rule
  - Avoid repurchase for 30 days, before or after selling the loss-generating security
  - Purchase a similar but not “substantially identical” security
- Maintain your investment strategy
  - Don’t let tax mitigation cause you to sell assets that play a strategic role in your portfolio

# Charitable strategies



## Year-end gifting

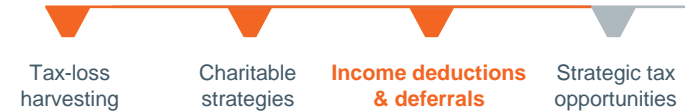
- Year-end charitable gifts could offer additional tax benefits

## Strategies to consider

- “Bunching” strategy maximizes deductions in a high-tax year
  - Make several years worth of contributions into one year
- Qualified charitable distribution (QCD) from an individual retirement account (IRA)\*
  - Up to \$100,000 available to distribute directly to charity from an IRA
  - Gift to charity not included in income
  - Must be age 70½ to utilize a QCD
- More complex charitable gifting
  - Charitable trust
  - Private foundation

\*Source: Retirement Plans FAQs regarding IRAs Distributions Withdrawals | Internal Revenue Service (irs.gov)

# Additional income deductions and deferrals



## Contribute to tax-advantaged accounts

### 401(k), 403(b), and IRA

#### Double tax advantage

- Reduces current year taxable income
- Tax-deferred growth

### Health Savings Account (HSA)

#### Triple tax advantage

- Reduces current year taxable income
- Tax-free growth
- Tax-free distributions for qualified medical expenses

### 529 College Savings Plan

#### Additional tax advantages

- Some states offer a tax deduction for contributions
- Tax-free growth
- Tax-free distributions for qualified education expenses

## Potential disadvantages:

Nonqualified distributions from these accounts may be subject to penalty and/or income taxation

# Strategic tax opportunities

Tax-loss  
harvesting

Charitable  
strategies

Income deductions  
& deferrals

**Strategic tax  
opportunities**

## Strategies to consider if you are in a *lower taxable year*

### Harvest capital gains on appreciated assets

- Lock in gains, particularly if you have losses to offset them

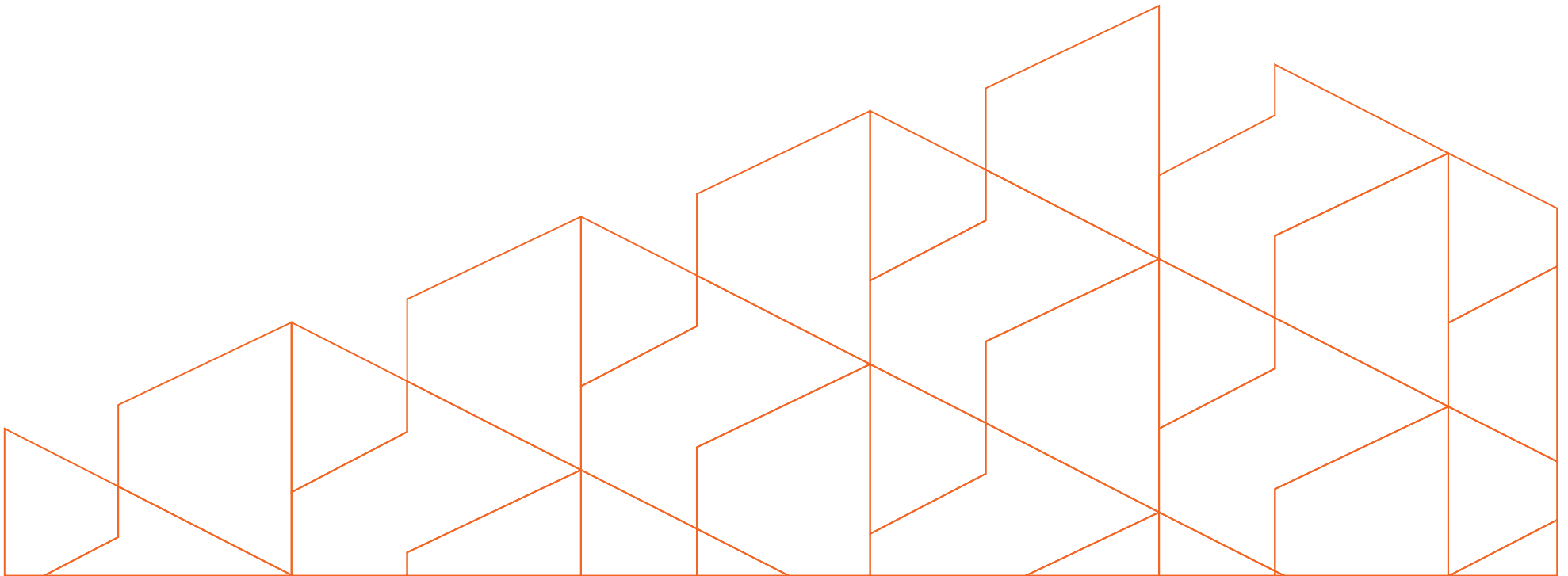
### Distributions from your retirement plans

- Pay tax on IRA withdrawals at a lower rate than in the future
- Reduce value of IRA to decrease required distributions in the future

### Roth conversion

- Consider converting your pre-tax IRA funds to a Roth IRA
- Conversion amount included in income
- Opportunity in 2022:
  - Lower IRA value makes conversion “cheaper”
  - Allow the rebound of the IRA value to occur in a tax-free Roth account

# Assess estate and gift tax exposure





# Overview of annual exclusion gifting and lifetime gifting exemption

## Annual exclusion gifting\*

- Every individual can make a \$16,000 tax-free gift annually in 2022
  - \$32,000 for married couples in 2022
  - Amount increased from 2021
  - Will increase to \$17,000 per individual and \$34,000 per married couple in 2023
  - No limit to number of recipients

## Lifetime gifting exemption\*

- For high-net-worth individuals, there is an opportunity to make substantial gifts during your lifetime
- Federal lifetime gifting exemption amount in 2022
  - \$12.06 million per person
  - \$24.12 million per married couple
- Federal lifetime gifting exemption amount in 2023
  - \$12.92 million per person
  - \$25.84 million per married couple
- Without additional legislative action, the federal exemption amount will sunset in 2026
  - \$5 million per person (indexed for inflation)

\*Source: Frequently Asked Questions on Gift Taxes | Internal Revenue Service ([irs.gov](https://www.irs.gov)) and Revenue Procedure 2022-38

# Polling Question #1

**Are you planning to make large gifts?**

**A. I already have**

**B. By the end of the year**

**C. In the next couple of years**

**D. Never**

# Fundamental gifting strategies

## Popular strategies to consider

- Outright gifts and gifts to trusts
- 529 education savings plans
  - Limit the use of a gift made to children
  - Provide for long-term education funding
- Direct payments to medical or educational institutions do not count toward annual exclusion or use of lifetime exemption
- Be mindful of timing requirements for gifts to qualify as being made in 2022

# Strategic tax opportunities

## Strategies to consider for 2022

### Gifts of assets with depressed values

- Opportunity to shield growth in assets outside taxable estate

### Swap assets in grantor trusts

- Move out low-basis assets for high basis assets
- Take advantage of step-up in basis

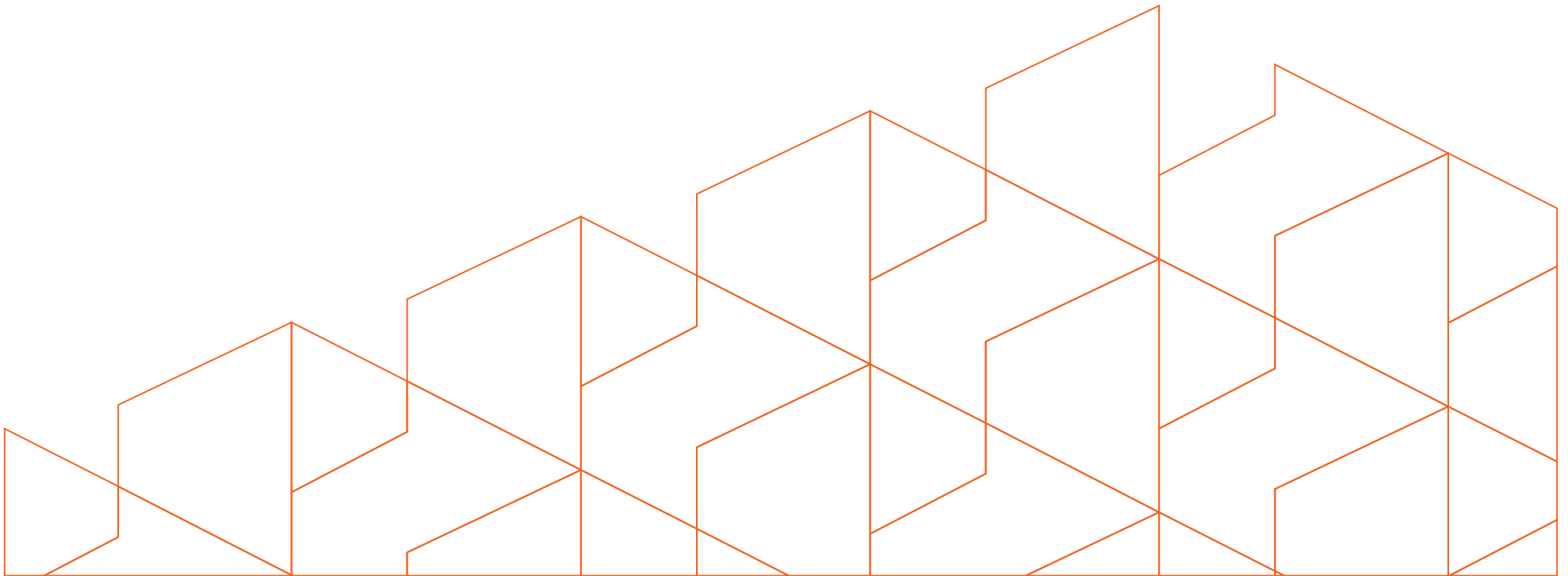
### Grantor retained annuity trusts (GRAT) and intrafamily loans

- Rising interest rates make these *less* attractive
- Consider implementing now before rates continue to rise

### Qualified personal residence trust (QPRT)

- Rising interest rates make these *more* attractive
- Transfer a primary residence into trust to remove it, and the appreciation, from your estate

# Revisit financial and estate plans



# Polling Question #2

**How often do you update your financial and estate plans?**

- A. Every year
- B. Every 3-5 years
- C. When I have a life-changing event
- D. I have to review my plan?

# Financial plan review

## Year-end financial plan review

- Determine if you are still on track to meet your long-term goals

## Stress test your assumptions

- Higher inflation this year could cause you concern
  - Tweak your financial planning projections
  - What if the expectation of long-term inflation is higher?
  - Implement steps to combat a higher-than-expected inflation rate

## Broader considerations

- Rebalancing your portfolio
- Adjusting your retirement time horizon
- Amending major financial goals (gifts to family, charitable giving, vacation home purchase, etc.)

# Estate plan review

## Year-end estate plan review

### Helpful to ensure your wishes for distribution are met

- Especially important if asset values have changed
- Consider coordinating estate plan with lifetime gifting strategies

## Key considerations

### Do you have a complete plan in place?

- Will\*
- Trust\*
- Powers of attorney\* for health or financial matters

### Who have you named to act?

- Key fiduciaries:\* executor,\* trustee,\* agents\* (health and financial)
- Ensure they can fulfill their roles

### Are your beneficiary designations current?

- Review named beneficiaries\* of retirement accounts, life insurance policies, and transfer-on-death accounts

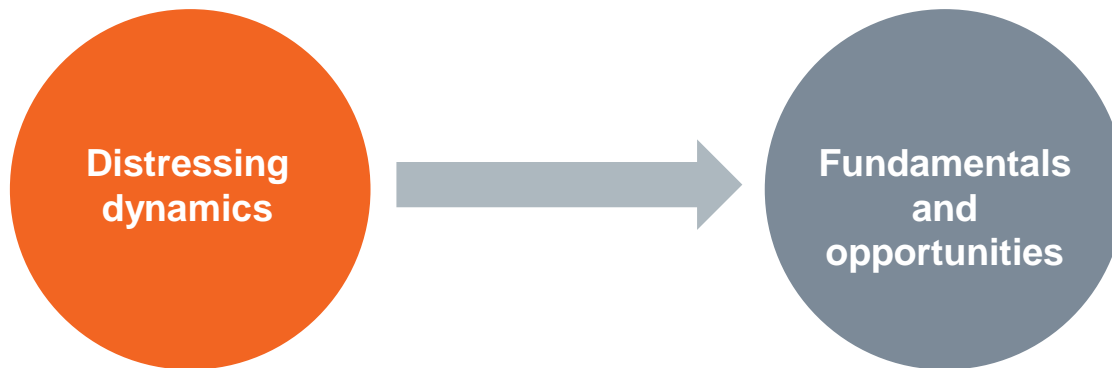
\*See Definition of Terms on the last slide.



# Year-end planning summary

## In review

- It is important not to overlook foundational year-end planning, even when there may be no imminent changes to tax laws as a motivating factor
- Moreover, periods involving an uncertain market and economic environment can present unique planning strategies to consider implementing
- Implementing a plan that combines both fundamental strategies with opportunities specific to the market environment in 2022 may help optimize your tax and financial situation



**Q&A**

# Alvina H. Lo

## Chief Wealth Strategist



### Contact Information

350 Park Avenue  
9th Floor  
New York, NY 10022  
Phone | 212.415.0567  
alo@wilmingtontrust.com

### Specializing in:

- Estate and trust planning
- Succession planning
- Life insurance planning
- Cross-border planning
- Family office services

As part of the Wilmington Trust Emerald Family Office & Advisory® team, Alvina is responsible for wealth planning, family office services, and thought leadership development for Wilmington Trust's Wealth Management division. She oversees a national team of wealth strategists, family office services professionals, and thought leaders, who together, serve as advisors to high-net-worth individuals and families, business owners, entrepreneurs, and foundations.

Prior to joining Wilmington Trust, Alvina was a director at Citi Private Bank where she served as an advisor to U.S. and international ultra-high-net-worth clients. Previous to that, she served as a wealth strategist with Credit Suisse Private Wealth and practiced law at Milbank Tweed Hadley & McCloy, LLP. Earlier in her career, she was a consultant for Deloitte Consulting and Scient Corporation.

Alvina holds a bachelor's degree in civil engineering from the University of Virginia where she was a Thomas Jefferson Scholar. She received her JD from the University of Pennsylvania, where she was a member of the Law Review and Order of the Coif. She also holds a Professional Tax Certificate in Estate Planning from New York University School of Law.

Alvina has been named as a recipient of the 2021 Outstanding 50 Asian Americans in Business Award by the Asian American Business Development Center. She also has been recognized by Crain's New York Business as one of their Most Notable Women in Financial Advice in 2020. The honor recognizes leading women executives in New York City for their dedication to excellence in the financial industry and significant professional, civic, and philanthropic contributions. In addition, she was recognized as one of Worth's Groundbreakers 2020: 50 Women Changing the World.

A Fellow with the American College of Trust and Estate Counsel, Alvina is a published author and frequent lecturer at leading industry conferences for the American Bankers Association, American Bar Association, Delaware Trust Conference, Hawaii Tax Institute, and Barron's Top Women Advisors Summit. She has been quoted in the New York Times, Wall Street Journal, Barron's, Bloomberg, and Business Insider. She is also a member of the Society of Trust and Estate Practitioners (STEP) and Women In America, a professional mentoring group. She is active with the American Bankers Association as a Board member for Wealth Management and Trust and adjunct professor of the Advanced Trust School. She is currently Chair of the New York City Walentas Scholars Program for the University of Virginia. Alvina is bilingual and speaks fluent Chinese-Cantonese and basic Chinese-Mandarin.

# Dolly Donnelly

## Director, Wealth Strategies



### Contact information

3 City Center  
180 South Clinton Avenue  
7<sup>th</sup> Floor  
Rochester, NY 14604  
Phone | 585.258.8301  
ddonnelly@wilmingtontrust.com

### Specializing in:

- Estate planning and administration
- Trust administration
- Wealth planning

As part of the Wilmington Trust Emerald Family Office & Advisory® team, Dolly is responsible for providing strategic and holistic wealth planning advice to high-net-worth individuals, successful entrepreneurs, executives, and their families by reviewing and illustrating their current plans, highlighting potential deficiencies, and modeling effective tax and estate planning strategies.

Prior to joining Wilmington Trust, Dolly practiced law with Boylan Code LLP in Rochester, New York. In that role, she specialized in trusts and estates and counseled clients on estate planning and administration, as well as income, estate, and gift tax issues. Dolly also provided clients guidance on long-term health care, Medicaid, and special needs issues. Earlier in her career, Dolly worked in the public sector and with law firms in Washington, DC.

She holds a JD from the University of Miami School of Law, where she was a member of the Law Review and the International Moot Court team, and a bachelor's degree in international affairs from The George Washington University. She is admitted to the practice of law in New York and Florida and is a member of the New York State, Monroe County, and Florida Bar Associations.

Dolly serves on the executive committee for the Estate Planning Council of Rochester, the board of directors for the Highland Park Conservancy, and the planning board for the Village of Cayuga. She was named to the 2021 and 2022 editions of *Best Lawyers: Ones to Watch* for her work in trusts and estates.

# Matthew J. Mancini, CFP<sup>®</sup>, ChFC<sup>®</sup>, AEP<sup>®</sup>

## Wealth Planning Team Leader



### Contact Information

285 Delaware Avenue  
3rd Floor  
Buffalo, NY 14202  
Phone | 716.848.7564  
mmancini@wilmingtontrust.com

### Specializing in:

- Financial statement analysis
- Cash flow sustainability
- Retirement planning

As part of the Wilmington Trust Emerald Family Office & Advisory<sup>®</sup> team, Matthew is responsible for developing customized wealth management strategies and financial plans for successful individuals, families, and business owners. He works closely with other professional and family advisors to analyze financial positions and develop plans to help clients achieve future personal and financial goals.

Matthew, who joined M&T Bank in 2009, holds a bachelor's degree in finance from Canisius College and earned the CERTIFIED FINANCIAL PLANNER<sup>™</sup> designation in 2011, and the CHARTERED FINANCIAL CONSULTANT<sup>®</sup> designation in 2015 from The American College. Matthew has also received the ACCREDITED ESTATE PLANNER<sup>®</sup> designation from the National Association of Estate Planners and Councils in 2019.

Matthew is an active member of the Financial Planning Association of Western New York and the Western New York Estate Planning Council.

# Disclosures

Wilmington Trust Emerald Family Office & Advisory® is a registered trademark and refers to wealth planning, family office and advisory services provided by Wilmington Trust, N.A., a member of the M&T family. Wilmington Family Office is a service mark for an offering of family office and advisory services provided by Wilmington Trust, N.A.

Wilmington Trust is a registered service mark used in connection with various fiduciary and non-fiduciary services offered by certain subsidiaries of M&T Bank Corporation including, but not limited to, Manufacturers & Traders Trust Company (M&T Bank), Wilmington Trust Company (WTC) operating in Delaware only, Wilmington Trust, N.A. (WTNA), Wilmington Trust Investment Advisors, Inc. (WTIA), Wilmington Funds Management Corporation (WFMC), and Wilmington Trust Investment Management, LLC (WTIM). Such services include trustee, custodial, agency, investment management, and other services. International corporate and institutional services are offered through M&T Bank Corporation's international subsidiaries. Loans, credit cards, retail and business deposits, and other business and personal banking services and products are offered by M&T Bank, Member FDIC. Please visit our websites at [www.wilmingtontrust.com](http://www.wilmingtontrust.com) and [www.mtb.com](http://www.mtb.com) for additional information regarding our brands and products and services offered.

Wilmington Trust is not authorized to and does not provide legal or tax advice. Our advice and recommendations provided to you are illustrative only and subject to the opinions and advice of your own attorney, tax advisor, or other professional advisor. The information in this article has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. The opinions, estimates, and projections constitute the judgment of Wilmington Trust and are subject to change without notice.

The information provided herein is for informational purposes only and is not intended as an offer or solicitation for the sale of any tax, estate planning, or financial product or service or a recommendation or determination that any tax, estate planning, or investment strategy is suitable for a specific investor. Note that tax, estate planning, and financial strategies require consideration for suitability of the individual, business, or investor, and there is no assurance that any strategy will be successful.

This information has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. Opinions, estimates, and projections constitute the judgment of Wilmington Trust and are subject to change without notice. There is no assurance that any trend will continue.

Investing involves risks and you may incur a profit or a loss. Past performance cannot guarantee future results.

Third-party trademarks and brands are the property of their respective owners. Third parties referenced herein are independent companies and are not affiliated with M&T Bank or Wilmington Trust. Listing them does not suggest a recommendation or endorsement by Wilmington Trust..

**Investment Products: Are NOT FDIC Insured | Have NO Bank Guarantee | May Go Down In Value**

# Definitions of terms

## **Agent**

A person authorized to act on behalf of another person.

## **Beneficiary**

The person or entity named or otherwise entitled to receive the principal or income or both from a trust.

## **Executor**

Individual(s) appointed to manage a person's estate when deceased. Responsible for managing the assets in accordance with the decedent's wishes as outlined in the will and trust documents. Also responsible for estimating the value of the estate at the time of death and pay estate taxes, debts, and expenses.

## **Fiduciary**

A person (or organization) trusted by another party. A fiduciary is legally and ethically obliged to act in the best interests of their clients. Executors, trustees, agents, and health care representatives are fiduciary appointments in estate planning matters. That is, a trustee has a fiduciary duty to act in the best interest of the beneficiary.

## **Power of Attorney**

A POA is a person who is given the authority to act on behalf of another person in specified legal, financial, or medial matters. A fiduciary appointment made in a POA is called an Agent.

## **Trustee**

Individual designated by the grantor to assume legal ownership and manage the assets of a trust. Responsible for ensuring assets are administered in accordance with the trust terms.

## **Trust**

A fiduciary relationship between two parties--the trustor and the trustee. The first transfers a right to a holding to the second who manages the asset in the best interest of the designated beneficiaries under the terms of distribution established by the trustor.

## **Will**

A legal document that provides direction about the distribution of an individual's assets when they die.