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WORKING WITH LEGISLATIVE CHANGES

Get ready now for 2026

In 2017, Congress passed a fairly broad tax reform called the Tax Cuts & Jobs Act (TCJA). When changes cause budgetary constraints, the rules of engagement for Capitol Hill require a law to sunset, which means they must expire.

Due to this required sunset, several of the rules that financial professionals have become comfortable with will expire at the end of 2025, unless Congress takes action.

The following are some of the provisions that could expire and provides some ideas for how to handle them.

Estate planning

- Currently, many high net worth and ultra-high net worth clients are using their lifetime exemption to complete transfers through gifting strategies and capital management strategies; in other words, these clients may need help reducing their estate for estate tax calculations and they need to complete these strategies before the end of 2025.
- The change to the lifetime exemption means we need to start planning for clients who would not be subject to the federal estate tax today but could be in 2026. Consider that a single individual with a $10 million dollar net worth today does not worry about this tax. But in 2026, that same estate could be subject to tax on values in excess of approximately $6.4 million - the lifetime exemption of $5 million in 2017, adjusted for inflation.
- Lower standard deduction may incentivize more clients to consider charitable planning. Financial professionals should familiarize themselves with ideas like Charitable Remainder Trusts, Private Foundations and Donor Advised Funds.
- Flexibility may be key; consider ideas such as Trust Protectors and trust mergers.

Income tax strategies

- Start talking to your clients about implementing executive benefits to defer income in the high tax bracket years that start in 2026.
- Complete Roth conversions to take advantage of today's lower tax brackets.
- Lower standard deductions in 2026 may result in more clients itemizing their income taxes; with itemization comes greater motivation for using techniques such as charitable gifts.
- Investment fees will be deductible, again, under the miscellaneous 2% of Adjusted Gross Income deduction.

Corporate tax strategies

- Qualified Business Income Deduction will be eliminated but the flat corporate tax of 21% would remain. We might start to see more corporate conversions to C-Corp, and pass-through companies will need tax approaches in the form of deductions. We could see greater interest in qualified plans for the pass-through company to generate deductions.
  - Place key person, deferred compensation and buy-sell arrangements now.
  - Use the tax savings for pass-throughs and set aside the funds needed to get a head start on these legal obligations while the entity is paying lower taxes due to TCJA.
  - These tax savings may not be available in 2026.

Get started

Be sure to take your favorite attorney or accountant out to lunch!

Work with your clients' attorneys and accountants to determine the best course of action for possible 2026 sunsets.

Learn more

Interested in providing greater value to your clients? We're here to help. Contact the Securian Financial Advanced Sales Team today.

1-888-413-7860, option 3
Email the team

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