If your life is evolving, it's important to make sure your estate plan evolves with it. Marriage, divorce, a birth, a new job, the sale or purchase of property, a move to another state are just some of the reasons to revisit a plan to make sure it's keeping up with your life.

Maximize opportunities, minimize surprises

In addition to your own family and life circumstances, external factors you may not be aware of — such as changes to state or federal gift and estate tax exemptions — could have profound implications for your estate plan.

For example, higher federal gift tax exemption amounts that took effect in 2018 may provide you with a favorable estate planning opportunity.

However, if you haven't updated your estate plan, the large increase in the estate tax exemption amount could cause assets to be distributed in ways you never intended. The following example shows how that can happen.

Estate planning documents often contain "formula clauses" that are designed to take maximum advantage of your federal estate tax exemption amount, without forcing you to update your estate planning documents each year as the exemption amount is adjusted for inflation. The individual in the following example has a will that was drafted prior to legislation that took effect in 2018 and includes a formula clause.

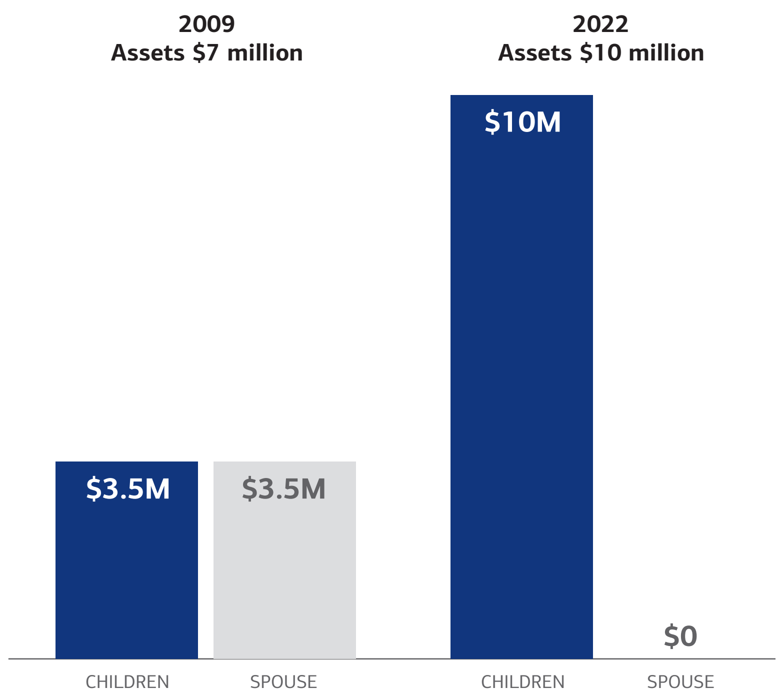
Example

John's will was drafted in 2009 when his net worth was $7 million and the federal estate tax exemption was $3.5 million. His estate planning documents direct that a bypass trust naming his children as beneficiaries be funded upon his death with his "remaining exemption amount."[1] The assets that remain are to be placed in a trust to provide for his second wife.

At the time John's estate planning documents were drafted, the estate tax exemption amount was $3.5 million. Had John passed away that year, $3.5 million would have been used to fund the trust for his children and the remaining $3.5 million would have been placed in the trust for his wife.

John's estate has increased to an estimated $10 million. Now, if he passes away those same formula clauses would direct the entire $10 million to be placed in the bypass trust for his children, leaving nothing to fund the trust for his wife.

Distribution of assets between children and spouse



Keeping up with life's changes

Even without major federal or state tax changes, it's a good idea to review your estate plan on a regular basis. Over time you can find yourself with an estate plan that no longer fits your needs or goals. Life events such as the marriage of a child or the birth of a grandchild may change your goals or create new estate planning opportunities. Major decisions such as accepting a position with a different company, moving to a different state or retiring can create a need to review your estate plan. And the increased focus on longevity and incapacity may have you wondering if there are actions you should be taking now to protect yourself and those you care about.

Changes that may warrant a review of your existing estate plan are likely to fall into the following categories:

Life events

- Marriage (or divorce).
- Death of a spouse or child.
- Birth or adoption of a child or grandchild.
- A move to a different state.
- Marriage (or divorce) of a child.
- Retirement.
- A significant illness.
- A child's decision to pursue a career outside of the family business.

Changes affecting appointees

The death of, changes in your relationship with, or the ability of, an individual you have chosen to serve as:

- Trustee of any trust you have created.
- Guardian for a child or individual who needs care.
- Executor or personal representative* of your estate.
- Attorney-in-fact under a power of attorney.
- Health care proxy/agent.

Major changes in assets

- Purchase of property in a different state.
- Rolling 401(k) or other qualified plan assets into an IRA.
- Receipt of an inheritance.
- Plans to sell a business or take it public.
- A significant increase in your wealth.
- Purchase or surrender of life insurance.

Legal, regulatory or tax changes

- A change in the federal gift, estate or generation-skipping transfer tax rate or exemption amount.
- A change in your state's gift, inheritance or estate tax rate or exemption amount.
- A change in trust or property laws that may affect you.

* In some states, executors are referred to as personal representatives.

Your advisor has resources and tools to help identify changes you might want to make to your wealth plan to help keep it up to date with your evolving needs.

How your advisor can help

Without your realizing it, even the most carefully crafted plan can become out of date. That's why meeting with your advisor to review major changes that have occurred since your plan was last updated can be so helpful. Your advisor has a clear understanding of your current financial picture and can review your goal funding status. Your advisor can also provide access to resources and tools such as our estate planning checklist, that can help you identify changes that you may want to discuss with your estate planning attorney as you are reviewing the need for any changes.

If changes are needed — Your advisor, together with trust professionals at Bank of America can work with you, your tax advisor and your estate planning attorney to evaluate various strategies and, where appropriate, help implement them. This may be particularly helpful if:

- You have IRA, 401(k) or other qualified plan assets that are not currently integrated into your overall estate plan.
- You envision your assets benefiting grandchildren and future generations.
- You would like a portion of your wealth to fund charitable causes.
- You have already made gifts, and want to take advantage of the new, higher gift tax exemption amount before it is set to expire at the end of 2025.
- You own shares in a private company that may be considering an IPO, sale or merger.
- Nonfinancial assets such as private business interests, investment real estate, oil and gas interests, timberland or farm and ranch land are a significant source of wealth.
- You own a private company and would like to transfer an ownership interest to help minimize estate taxes but want to maintain control of the company.

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Trust and estate services from Bank of America

If your existing or updated estate plan includes a trust, we may be able to help by serving as trustee or by assisting an individual you may have named to serve as trustee.

Bank of America is the largest provider of trust services in the country[2] and has deep fiduciary knowledge as well as experience with a broad range of personal and charitable trusts. Bank of America also helps clients by serving as executor, a role in which our nationwide presence and ability to provide day-to-day management of nonfinancial assets may be particularly useful.

We work with your advisor to help identify trust solutions that align with your priorities, and integrate with your overall estate and wealth management plans. Reach out to your advisor to learn more.

Bank of America Trust Services is dedicated to helping you simplify your life, give lasting meaning to your wealth, and prepare for whatever the future may hold.

[1] The gift and estate tax exemptions are unified. Lifetime gifts reduce the amount of the estate tax exemption that can be claimed upon death, dollar for dollar. The "remaining exemption amount" refers to the estate tax exemption amount available to an estate after taking into account any lifetime gifts.

[2] Source: Spectrem, 2021 Comprehensive Bank Trust Update.