



SUCCESS STRATEGIES
Advanced Sales

Use It or Lose It

Leveraging the gift tax exemption before it expires!

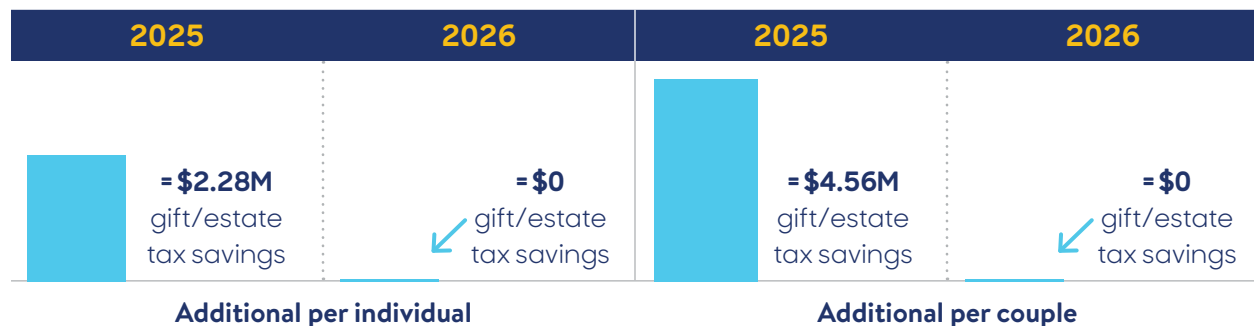
Background: The 2017 Tax Act temporarily increased the total amount that individuals and couples can transfer to heirs, during lifetime and/or at death. The combined estate and gift tax-free amount in 2021 is \$11,700,000 per individual, or \$23,400,000 per married couple. The exemption amounts are indexed annually for inflation. However, the increased exemptions *are due to expire in 2026*, when they revert to their 2017 level, roughly \$6,000,000+ per individual, or \$12,000,000+ per couple, subject to retroactive adjustments for inflation.

ESTATE AND GIFT TAX EXEMPTION AMOUNT AVAILABLE:

TODAY through 2025	2026 and LATER
<p>\$11,700,000/Individual \$23,400,000/Couple</p>	<p>Approximately \$6,000,000/Individual \$12,000,000/Couple</p>

Use it or lose it: Therefore, under current law, a wealthy individual can give away (either during lifetime or at death) almost **\$5,700,000 more** without gift taxes through 2025 than they can give away in 2026 or later. Wealthy couples can give away **\$11,400,000 more**.

Additional estate/gift tax-free transfer available¹ to heirs if death occurs in:



¹ The additional estate/gift tax-free exemption amounts available through 2025 are approximate amounts based on what they are today and what they were prior to the 2017 Tax Act, adjusted for inflation. The current top estate tax rate is 40% and is used to calculate the approximate estate/gift tax savings available through 2025. The estate/gift exemption amounts are in addition to the annual gift tax exclusion of \$15,000 that any individual can make annually to any number of people.



Life Insurance

Example: By leveraging all or a portion of the \$5.7M per individual available with whole life insurance – before it expires in 2026 – potentially more can be transferred to heirs free of gift tax. When life insurance is owned by a properly drafted Irrevocable Life Insurance Trust (ILIT), the death proceeds are transferred to heirs free of estate taxes.

What happens if death occurs in 2025 vs. 2026? Chart A below considers how much more heirs receive when the \$5.7M additional gift tax exemption amount is allocated toward lifetime gifts of life insurance premium prior to 2026, as compared to making no gifts at all.

CHART A: THE DIFFERENCE A YEAR MAKES – 2025 VS. 2026

	Make no lifetime gifts of life insurance before 2026	Make premium gifts to fund life insurance until 2026	Advantage: Life Insurance
Additional tax-free transfer to heirs if death occurs in 2025 <i>(If death occurs in 2025, there is an additional \$5.7M exemption that can be applied on the estate tax return, assuming no lifetime gifts are made before 2026.)</i>	\$5.7M	\$17.5M	+\$11.8M
Additional tax-free transfer to heirs if death occurs in 2026 <i>(If death occurs in 2026 or later, the additional \$5.7M exemption can no longer be used on the estate tax return.)</i>	\$0	\$17.5M	\$17.5M

Chart A assumes a Whole Life Legacy 100-Pay including 75% LISR with an initial face amount of \$17.5M on a Female, Age 60, Ultra Preferred Non-Tobacco risk class. The annual premium is \$1.14M for 5 years (2021 to 2025). Cumulative premiums equals \$5.7M, the additional gift tax exemption amount available before 2025. Refer to the [basic illustration](#) for assumptions, explanations, guaranteed elements, and additional information.



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