

# Does Estate Planning Really Matter?

## Yes! Estate planning still matters

In light of the current unified credit amount of \$12,060,000 per person that can be used to reduce federal estate tax at death, do you still need to have an estate plan? Do you need to worry about estate taxes? The short answer is yes. While most people won't need to worry about estate taxes, there are no guarantees. The current credit amount and the estate tax rates can be changed at any time through legislation and there are still a number of other meaningful considerations to keep in mind.



Yes, a series of increases in the estate tax exemption over the last several years have resulted in few estates having to pay federal estate tax. Since 2000, the estate and gift tax (collectively called the “transfer tax”) exemption has gone from \$675,000 with a top marginal estate tax rate of 55% to \$12.06 million and a top marginal rate of 40%. However, most tax experts believe this windfall is only temporary. If Congress does not act before the end of 2025, the unified credit will revert to a \$5.6 million exemption and a top marginal rate of 55%. If Congress enacts President Biden’s proposed tax changes, the exemption amount will fall to \$3.5 million per person, with a top marginal rate rising to 70%. Barring a permanent repeal of the estate tax, the current unified credit amount and tax rate are probably the best we will see in our lifetime.

A more important issue that should encourage you to have planning in place is whether you are doing everything to make sure that your wishes at death will be fulfilled. Do you still need estate planning? You do, and here’s why. It comes down to fulfilling your intent for how your hard-earned resources pass. Will you direct how your assets pass at death or will you leave that decision to people you don’t even know the legislature of your state and the laws of intestacy they promulgate?

You may be surprised to know that only about 32% of the U.S. population currently has a will (source: Caring.com). That’s down from 51% in 2005. About 30-40% of our children don’t know whether we have a will or what’s in our wills (source: Brookdale Senior Living). You may have a living trust and think that you don’t need a will, but did you transfer every asset, every bank or investment account, every piece of real property and all of your tangible personal property to the trust? There may be a very good reason why you haven’t shared your estate plan with your children. Eventually, they will know what you have and where it went. One of them may even be tasked with figuring it all out after you’re gone.

Why do we avoid estate planning? Why do we not make a will? Some of us find the topic uncomfortable to think or talk about. Some of us think that wills and trusts are only for the super-wealthy; those people who will have a taxable estate. If you have assets (ex: home, vehicle, bank accounts), loved ones who you want to inherit from you, concerns about who will handle your affairs while you’re still living but unable to handle things for yourself, it’s a good idea to have an estate plan in place. You don’t want the laws of your state deciding where your assets go when you die. You want to make the decision.



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