

Debunking 5 common myths about estate planning

Why you should start your plan
early and revisit it regularly



WIPFLI

From being too young to not having a large enough estate — there are a variety of reasons people may hesitate to start an estate plan.

But estate planning is about more than just transferring wealth. It's a crucial aspect of financial management, giving you greater control over your assets and how you use them to prepare a better financial future for you and your family.

In this comprehensive guide, we debunk five common myths surrounding estate planning, giving you clarity on essential considerations for effective wealth transfer and asset protection. From tax implications to the significance of early planning, we unravel the truths behind estate planning to help you make informed decisions for securing your legacy.



MYTH 1:

You have to pay taxes on gifts

If your gift is within the lifetime exemption limit on gifting, it can be given tax-free.

Your recipient will receive the gift with a carryover basis. Although, if you are gifting an income-producing asset, they may need to pay the corresponding income tax as income is generated.

Some common forms of gifting include:

- Cash
- Gifts for holidays (such as Christmas) or occasions (such as birthdays)
- Interests in property
- Down payments for homes
- Life insurance premiums
- 529 education plans

The key to gifting effectively within your annual exclusion or lifetime exemption is to have a long-term gifting strategy.

What you give depends on your ultimate estate planning goals. Establishing your primary concerns, whether it's making charitable contributions or transferring wealth to your children, will help you determine which gifts suit your estate plan.

Another important consideration for gifting is the level of control you have over your assets.

Once an asset is transferred to the recipient, you no longer have any input in managing it. If you want to retain control over how your assets or funds are administered, consider gifting to a trust instead. Trusts allow you to set up specific parameters that guide how funds or assets can be accessed or used.

STRATEGY

Maximizing your current gifting opportunities

The Tax Cuts and Jobs Act of 2017 doubled the federal lifetime estate and gift tax exemption. As of 2025, the exemption is set at \$13.99 million per individual. However, unless Congress acts, the exemption will automatically revert to its pre-2018 level on January 1, 2026, which is expected to be around \$7 million.

While lawmakers could extend the higher exemption, there is still significant uncertainty about whether that will happen.

Now is the time to act if you want to take full advantage of the doubled lifetime exemption and reduce your overall taxable estate. Working with your advisor during or before Q3 2025 can help you establish your overall goals and the strategies you can use to maximize your exemption before the sunset.



MYTH 2:

I already have an estate plan, so I don't need to worry

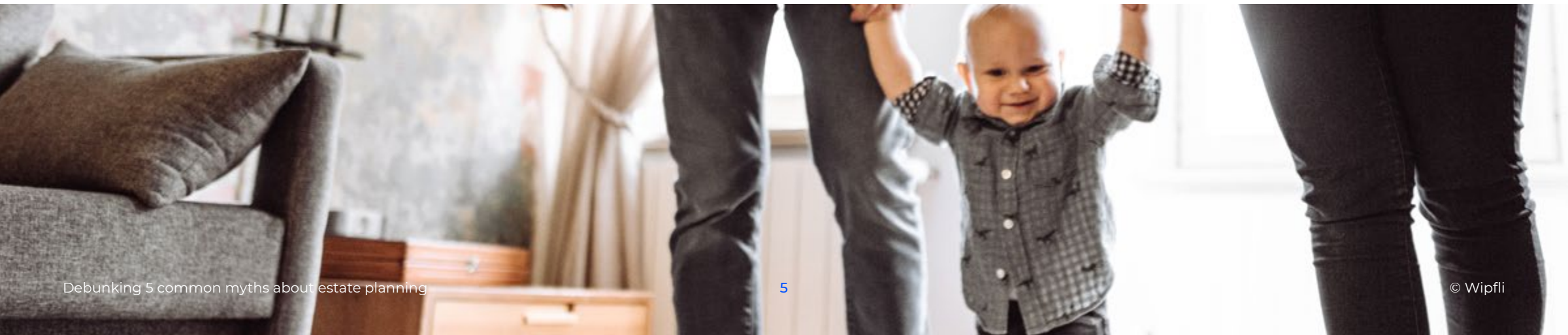
Having an estate plan doesn't mean it's still working effectively to secure your legacy.

To protect your estate, you need to review your plan regularly to help ensure it stays aligned with your overall goals, current laws and changes in your personal life.

Both state and federal estate laws are updated regularly, providing you with new opportunities to optimize your planning. The most urgent example has been the potential sunset of the current

doubled lifetime exemption. But there are other changes that happen often — such as new transfer discounts or new regulations around transactions — that can impact your estate.

It's also crucial to make sure that your plan reflects any changes in your personal life. From major milestones such as getting married or having children to smaller events such as an increase in wealth, everything should be considered in your estate plan.



STRATEGY

Optimizing your estate plan

There's no set frequency for when you should revisit your estate plan. But outside of significant life events or changes to your assets, it's smart to have an annual discussion with your advisor.

Meeting once a year allows you to evaluate whether your plan is still accomplishing what it should be or if you need to make modifications.





MYTH 3:

I don't have a lot of assets, so I don't need a plan

Even without a taxable estate, you still have assets that have value. And if you don't have a plan in place, 100% of your assets will be distributed based on your state's laws of inheritance with the oversight of a probate court.

Your estate comprises far more than the funds you have in your bank account. Some different examples of assets include:

- Homes, second homes and other properties
- Vehicles
- Boats
- Liquid assets
- IRAs
- Deferred compensation retirement plans
- Recoverable trusts

All these assets and others can be counted toward your estate. And with those assets comes a need to plan for how they'll be passed down.

Even for smaller estates, a plan can help take the burden off your family, letting them avoid the lengthy, costly and time-consuming probate process.

It can also give you peace of mind that your estate will be divided according to your wishes. For example, you can establish a way to help ensure that the business you started stays in your family or that a family heirloom gets passed down in a traditional way.



“40% of people who don't have a will say it's because they don't have enough assets to leave anyone.”

— Caring's 2024 Wills and Estate Planning Study



MYTH 4:

If I give away my assets, I won't have enough to live on

It's a common concern for anyone doing an estate plan that if they give their estate away, they won't have enough assets left to support their lifestyle. But this fear often comes from a common misconception about estate planning: Estate planning isn't just about gifting your assets. Sometimes it's as simple as establishing a revocable trust and a will or putting into place strategies to help you protect assets from creditors.

An estate plan is flexible and can meet your needs based on where you are in life and what you want to do with your assets.

For example, if you're starting a business, you may only need a plan to establish protections and help ensure that your family's potential legacy is put in writing. Or, when you sell a business and you increase your liquid assets, you may need to focus more on putting together a financial plan.

Maintaining your income

Several estate planning options allow you to move assets or value out of your estate while still providing income or access:

Charitable remainder trust: With these trusts, you can establish a term where an individual can receive an annuity payment based on whatever assets are in the trust, with the remainder of the trust going to charity at the end of the term.

Installment sales: An installment sale of business interests helps you transfer value out of your estate while providing you with a note equal to that value. With this strategy, you can shift an asset that is likely to appreciate out of your estate while having it provide you with a cash flow stream off the note.

Spousal lifetime access trust (SLAT): A SLAT lets you take advantage of the current, doubled lifetime exemption by transferring your assets to a trust that provides your spouse limited access to those assets.





MYTH 5:

I have plenty of time to do my estate planning

Many question the need to do an estate plan when they're still young, but estate planning can start at any age. By the time you've reached major life milestones, such as starting your business, getting married or having your first child, you should be considering your estate plan.

A plan gives you the assurance that your family will be provided for and that your assets can be transferred without the burdensome probate process if the unexpected does occur. But beyond the need to protect your assets, starting your plan early helps you set up effective, long-term financial strategies.

By using strategies such as gifting, trusts and life insurance, you can protect your wealth and pass it on to future generations without unnecessary financial or tax burdens. Establishing a solid foundation early also makes it easier for you to modify your estate plan as needed, helping ensure that it remains current and reflects your goals.



“Since 2020, the number of young adults aged 18 to 34 with a will has increased by **50%**, going from **16%** in 2020 to **24%** in 2024.”

— Caring’s 2024 Wills and Estate Planning Study

STRATEGY

Building your long-term plan

By starting estate planning early, you can remove assets that have the potential for high appreciation from your estate when they're lower value. That way, any growth will be outside of your estate and not taxable.

For example, you can use a grantor-retained annuity trust to move assets out of your taxable estate while still benefiting from those assets during your lifetime. This trust allows you to receive annuity payments for a set period, with any remaining assets passing to your beneficiaries at the end of that period.



Personalized estate planning that fits your vision

With so many strategies for optimizing your estate plan, it's crucial to work with a team that plans around your unique needs.

Wipfli advisors start by listening. We take the time to understand your current circumstances and vision for the future so that we can help you develop goals and create a plan to achieve them.

From preserving multigenerational wealth to maximizing charitable giving, we're ready to help you preserve your financial legacy the way you want.

Our seasoned professionals can also support your planning with services including:

- Reviewing your current estate plan and trust agreements.
- Minimizing tax liabilities.
- Facilitating long-term family planning.

Visit our site to learn more about how our estate and gift planning team can help you protect your assets.

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Perspective changes everything.

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