# A NEW ERA IN TAX PLANNING IS ON THE HORIZON

## Help clients prepare for what's to come

May 2025

One of the most significant shifts in tax law in modern history is the Tax Cuts and Jobs Act of 2017 (TCJA), which introduced numerous changes to individual, transfer, and corporate tax rates, as well as some deductions and credits.

Many of the modifications brought about by the TCJA were meant to be temporary, setting the stage for almost a decade's worth of estate planning conversations focused on helping clients take advantage of key provisions of the TCJA before they expired on Jan. 1, 2026.

Those conversations stalled with President Trump's victory in the 2024 election, as he campaigned on a platform that included extending a number of the TCJA provisions set to expire. Although at the time of publication no legislation has passed changing current tax law, it does appear that this administration is set to deliver on this campaign promise with the following proposals having been introduced:

### Budget Resolution H.Con.Res.14

The House of Representatives first passed a budget resolution in late February that sets the stage to extend all expiring provisions of the TCJA through 2034 and add additional new tax cuts for individuals. The resolution cleared a critical hurdle in mid-April with the House voting to adopt the Senate-amended version, which now enables Congress to leverage reconciliation to pass a final version of the legislation with a 51-vote simple majority.

### The Death Tax Repeal Act

Recently introduced to Congress, the Death Tax Repeal Act seeks to abolish the federal estate tax and generation-skipping transfer tax, with changes to the gift tax structure. If passed, this legislation could significantly alter wealth transfer approaches and have implications for life insurance and trust planning.

TAX

### Build trust with clients in a shifting tax landscape

The tax landscape in the United States is currently in flux, with ongoing discussions and proposals at both the federal and state levels. Staying current with the news on various tax law proposals can be confusing and sometimes worrisome for clients. You can deepen your relationship with clients by helping them navigate this period of uncertainty and change.

By staying up to date on proposed legislation, you can solidify the trust and confidence clients have in you by being available to answer questions, addressing concerns, and helping to explain the potential impacts on their plans in a manner they can easily digest.


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## Stay competitive by staying informed

With a 24-hour news cycle and seemingly endless updates on what's happening in Washington, it can be tempting to focus solely on the areas of your practice where imminent changes aren't expected.

However, staying up to date with proposed tax legislation can be a competitive advantage for your practice. Undoubtedly, clients are hearing some of the same chatter as you are about potential tax changes and the politics surrounding key proposals. The uncertainty and waiting for answers can cause a great deal of stress and anxiety in clients as they worry about their future plans and ability to reach their financial goals.

By remaining informed of the latest changes in tax laws, you'll be able to help clients implement strategies that can be successful both today and in the future. Taking a proactive approach may allow you to anticipate and mitigate potential negative impacts of new tax laws, as well as identify and leverage new tax-saving opportunities.

And most importantly, staying current can help you build trust and loyalty with clients. In times of stress and uncertainty, clients will know they can count on you to answer questions and help them stay on course to reach their goals. In a rapidly changing regulatory environment, staying informed is not just a best practice; it is a key differentiator that can set you apart from your competitors.

## Now is the time to start life insurance discussions

With the likely extension of the provisions of the TCJA that enable clients to save more on their estate tax bill, they may be less inclined to discuss estate planning today. However, life can be unpredictable and there are potential risks to waiting. Life insurance can be a critical component of a client's estate plan as the death benefit can help offset taxes and other expenses due at death.

Tying their decision to purchase life insurance to an expected outcome from Washington could result in clients paying more for the same amount of coverage, becoming uninsurable, or worst of all, possibly dying with no coverage in place.

Additionally, life insurance is a versatile product. It can do more for a client than simply offer a source of funds to pay future tax liabilities. Now may be the right time to re-engage with clients to discuss how life insurance can help them regardless of tax law changes.

### The power of life insurance in a client's plan:

#### Leave a legacy

Life insurance can be a final gift to a client's loved ones or to their favorite charity.

#### Equalize an estate

Not every client has an estate that can be easily and equally divided among heirs. If equalizing inheritance is important to a client, life insurance can be used to provide equivalent amounts to heirs, especially when illiquid assets like a family business or property are involved. An estate equalization strategy can help keep harmony in a family.

#### Protect dependents from creditors

In many states, life insurance death benefit proceeds are protected from creditors if the beneficiaries are spouses, children, or other dependents.

#### Offset loss from assets due to no step-up in basis

Beneficiaries of qualified retirement assets are required to take distributions from these assets and pay income tax as these assets do not receive a step-up in cost basis at death. Likewise, assets held in an irrevocable trust that may need to be sold after the grantor's death don't receive a step-up in basis, resulting in the likelihood of capital gains tax being due. Life insurance can be used to offset the loss from these assets due to the income taxes.

#### Control assets

If clients are worried about how beneficiaries will manage their inheritance, making a trust the beneficiary of a life insurance policy may help. Trusts can enable clients to specify how and when assets are distributed, ensuring they are managed in a manner consistent with their wishes.

## Empower clients to build the financial future they want

Help clients understand that an estate planning strategy is about more than just saving on taxes; it's about creating a meaningful legacy, ensuring assets are distributed according to their wishes, and even helping prevent potential family disputes. You know it's impossible to predict the future, which makes it vital for you to help clients to prepare and plan today so they can reach their financial goals no matter what tomorrow may bring.

**Prudential's Advanced Planning team has the exceptional experience to help you successfully address a client's unique estate planning needs.**

**Call Advanced Planning at 800-800-2738,** option 4 for help with your next case.



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