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01/01/2026

Advanced Estate Planning

AN OVERVIEW OF SOME SOPHISTICATED STRATEGIES

Security Benefit®

Speaker Slide

Title

Who Needs Advanced Estate Planning?

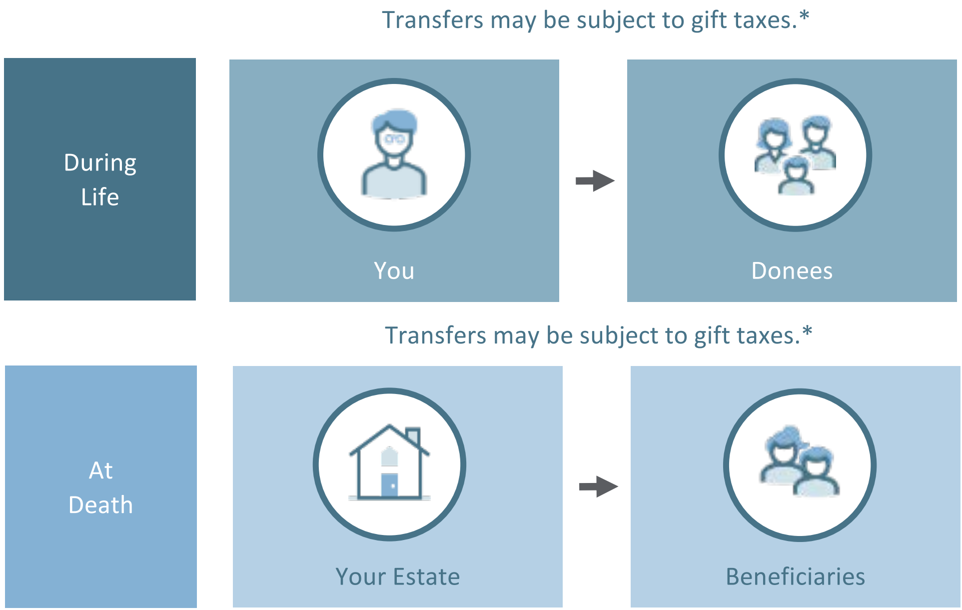
- ✓ You have net worth over $15 million (federal gift and estate tax basic exclusion amount in 2026).
- ✓ You want to provide for grandchildren or later generations.
- ✓ You own a family business/farm.
- ✓ You want to donate to charity.
- ✓ You want to shield assets from future creditors, an ex-spouse, or your heirs’ creditors/ex-spouses.

A Balancing Act

Advanced estate planning strategies generally come with tradeoffs:

- Implementation costs
- Relinquishment of financial benefits
- Loss of control

The Federal Transfer Tax System



- Gift tax — lifetime gifts
- Estate tax — property transferred at death
- Generation-skipping transfer (GST) tax — transfers to individuals more than one generation below you

*GST tax may also apply.

The Federal Transfer Tax System

The Unified System

- Gift and estate taxes are unified.
- Gifts made during life are added to transfers made at death on estate tax return.
- Generally, gifts are valued as of date gifts were made; transfers made at death are valued at date of death.
- Any estate tax owed is reduced by gift tax paid.
- Generation-skipping transfer tax is separate.

Taxable Gifts (Date of Gift Value) + Taxable Estate (Date of Death Value) = Cumulative Taxable Transfers

The Federal Transfer Tax System

Top Tax Rates

	2023	2024	2025	2026
Gift Tax and Estate	40%	40%	40%	40%
Generation-Skipping Transfer Tax	40%	40%	40%	40%

The Federal Transfer Tax System

Basic Exclusion Amounts

	2023	2024	2025	2026
Gift Tax and Estate	$12.92 million	$13.61 million	$13.99 million	$15 million

Using your exclusion for gift tax purposes reduces your available estate tax exclusion.

The Federal Transfer Tax System

Estate Tax Exclusion Portability

- Before 2011, estate tax exclusion was “use it or lose it.”
- In 2011 and later, exclusion is portable between spouses.
- The surviving spouse can use any exclusion left unused by the decedent spouse.
- This may effectively double exclusion of the surviving spouse.
- This may make minimizing gift and estate taxes easier for spouses.

$15 million exclusion of first spouse to die	+	$15 million exclusion of surviving spouse	=	$30 million to beneficiaries tax free

The Federal Transfer Tax System

Generation-Skipping Transfer Tax (GST) Tax Exemption Amounts

	2023	2024	2025	2026
GST Tax	$12.92 million	$13.61 million	$13.99 million	$15 million

GST tax exemption is not portable.

The Federal Transfer Tax System

Exclusions

$19,000 gift each year to as many individuals as you want ($38,000 if you and your spouse make the gift together)

Payments made directly to an educational institution for another individual's tuition

$95,000 ($190,000 with spouse) to a 529 plan — gift reported over five years

Amounts paid directly to a medical care provider for another individual's medical care

The Federal Transfer Tax System

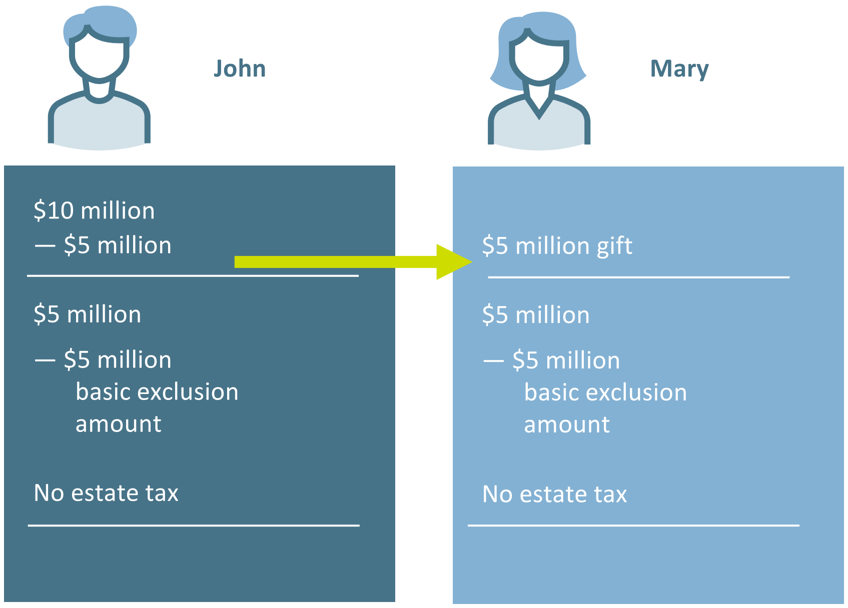
Marital and Charitable Deductions

- Transfers to U.S. citizen spouses during your lifetime or at death are fully deductible.
- Transfers to non-U.S. citizen spouses may qualify for $194,000 annual exclusion (2026).
- Transfers to qualifying charities are also fully deductible (may be deductible for income tax purposes as well).

Minimizing Estate Taxes

- Equalizing each spouse's estate
- Optimizing the marital deduction
  - QTIP Trust
  - Bypass (Credit Shelter) Trust
  - Dynasty Trust
  - GRAT
  - QPRT

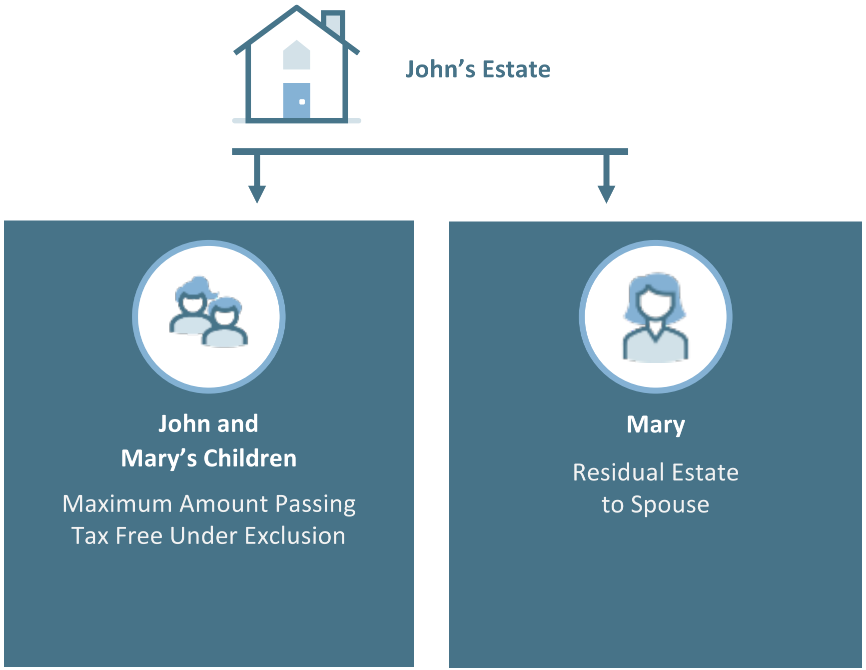
Minimizing Estate Taxes



Equalizing Each Spouse’s Estate

- The example assumes spouses have unequal estates.
- The spouse with a larger taxable estate can transfer assets to a spouse with a smaller taxable estate.
- The transfer is not subject to transfer tax because of marital deduction.

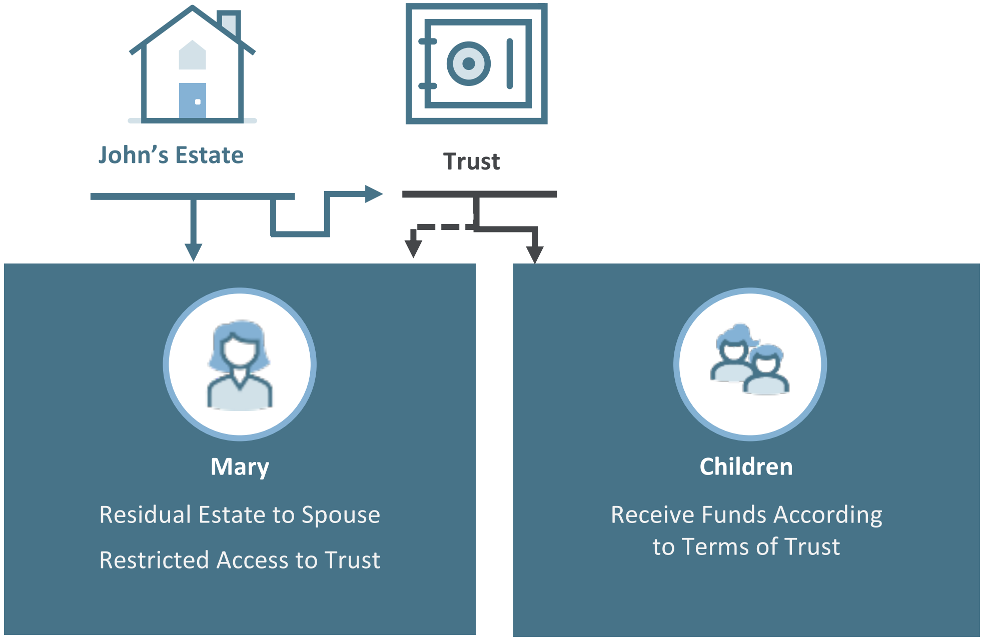
Minimizing Estate Taxes



Optimizing Marital Deduction

- First spouse to die leaves amount equal to estate tax exclusion to children (no tax — estate tax exclusion).
- Balance of estate is left to spouse (no tax — marital deduction).
- This defers estate tax until surviving spouse’s death.

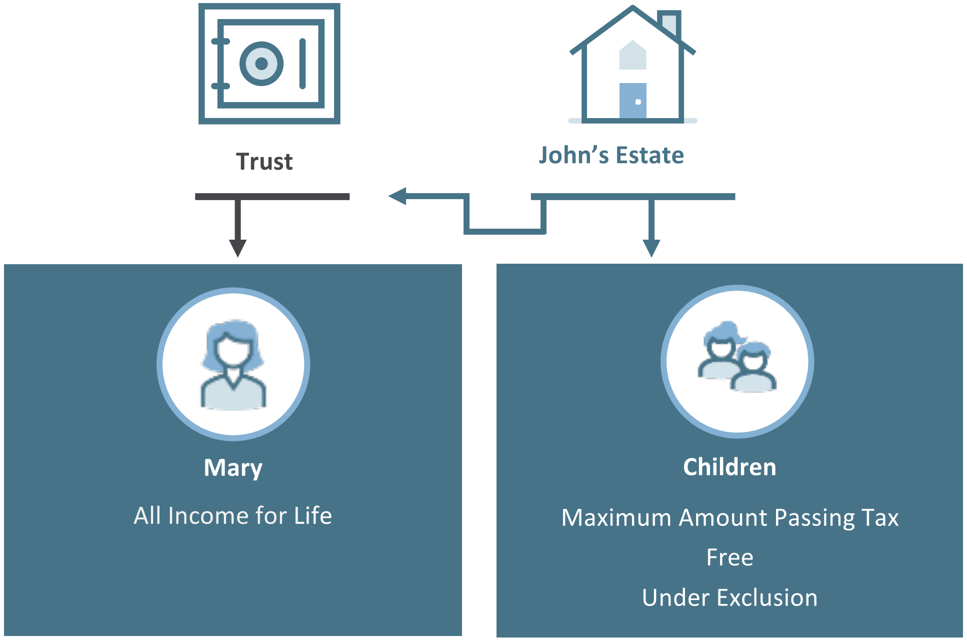
Minimizing Estate Taxes



Bypass (Credit Shelter) Trust

- This allows both spouses to fully use estate tax exclusions while giving a surviving spouse restricted access to more assets.
- Assets passing to a bypass (credit shelter) trust use the first spouse's exclusion.
- A trust generally provides the spouse with restricted access to assets.
- Upon death of the surviving spouse, remaining trust assets pass to beneficiaries according to terms of trust.

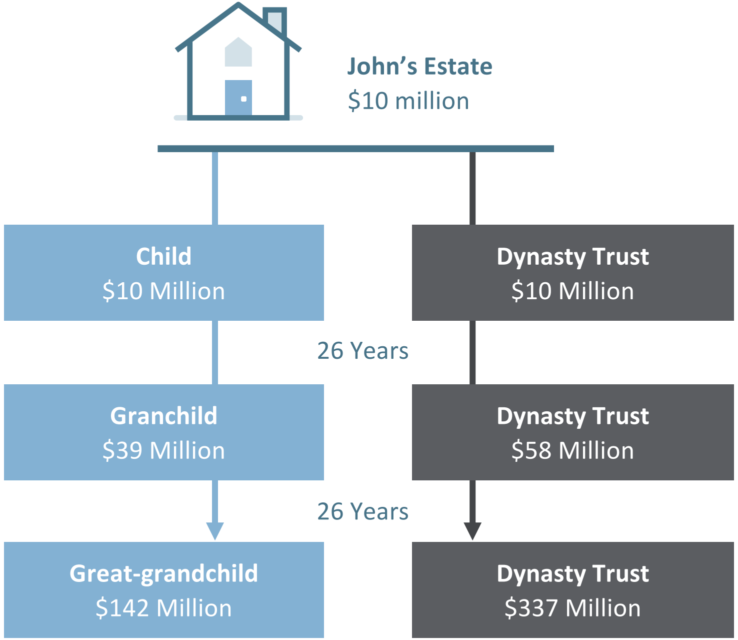
Minimizing Estate Taxes



Qualified Terminable Interest Property Trust (QTIP Trust)

- Assets passing to a QTIP trust qualify for marital deduction.
- The surviving spouse receives all income from the trust for life, with access to principal according to trust terms.
- Remaining trust assets are included in the surviving spouse’s taxable estate when the surviving spouse dies.
- At surviving spouse’s death, remaining assets pass to trust beneficiaries.

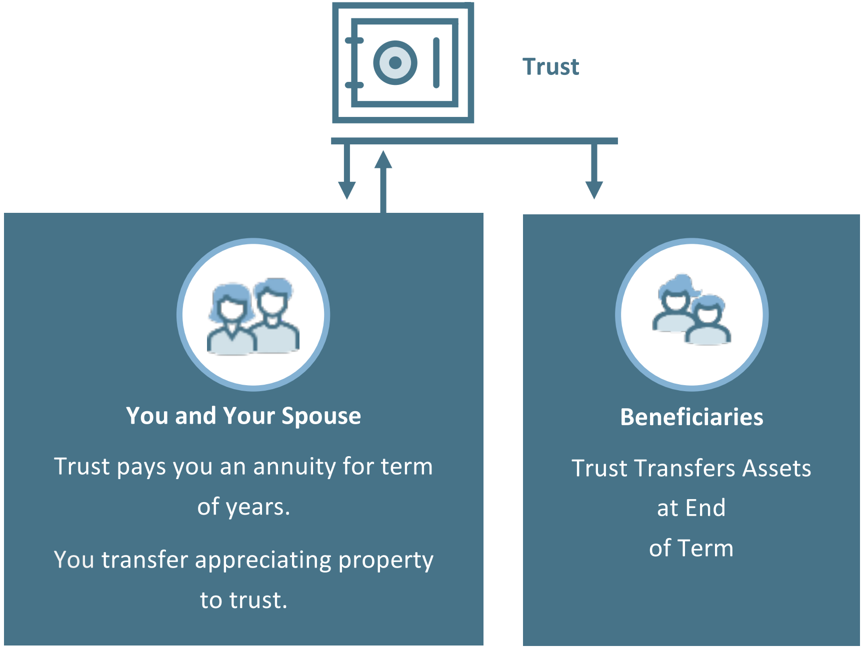
Minimizing Estate Taxes



Dynasty Trust

- Dynasty trust preserves wealth for multiple generations of descendants.
- The trust survives 21 years after the death of the last beneficiary alive when the trust was created.
- It could last for more than 100 years.
- Trust assets remain sheltered from transfer taxes (but not income taxes) while in the trust.

Minimizing Estate Taxes



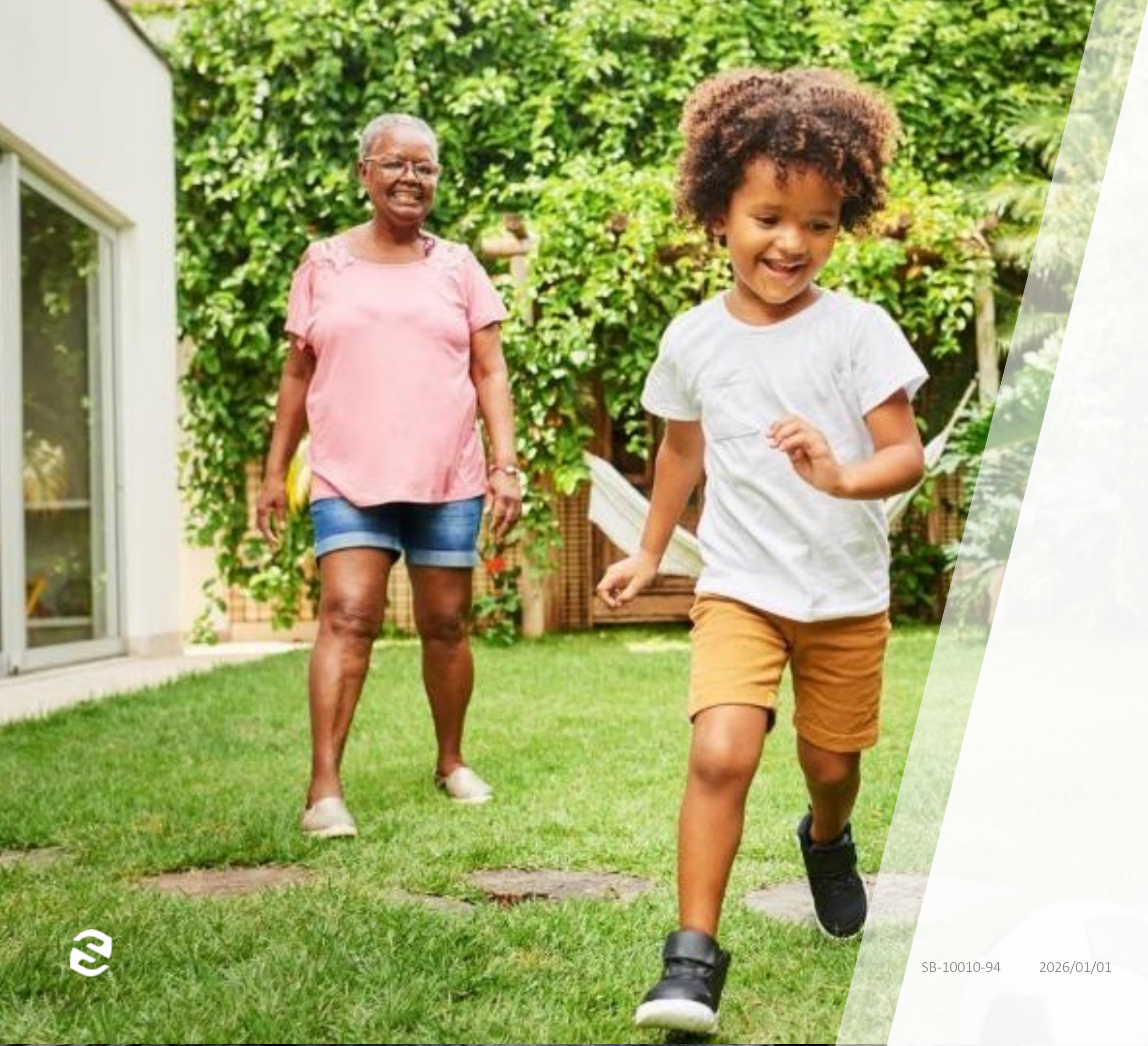
Grantor Retained Annuity Trust (GRAT)

- Using a GRAT trust removes property from the estate while allowing you to retain interest.
- GRAT receives property.
- An annuity is paid to you for a specified period of years, then property passes to beneficiaries.
- The transfer is subject to gift tax (at discounted value).
- Property is not included in your taxable estate as long as you outlive term of years.

Minimizing Estate Taxes

Qualified Personal Residence Trust (QPRT)

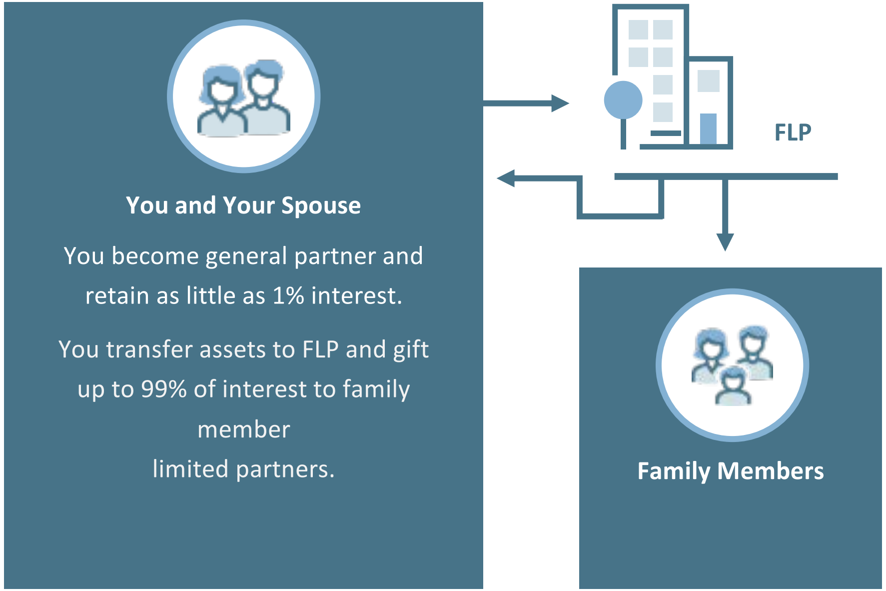
- A QPRT is a trust that is funded with a personal residence.
- You retain the right to continue living in the home for a specified number of years.
- As long as you outlive the specified term of years, the home is not included in your taxable estate — but you must pay market rent if you continue to live in the home.



What Is an Estate Freeze?

- This freezes the value of property for the person removing it from his or her estate.
- An estate freeze transfers future growth to the person receiving the property.
- It allows retention of some control or financial benefit.
- Common estate freeze strategies include family limited partnerships, private annuities, installment sales, and gift- or sale-leasebacks.

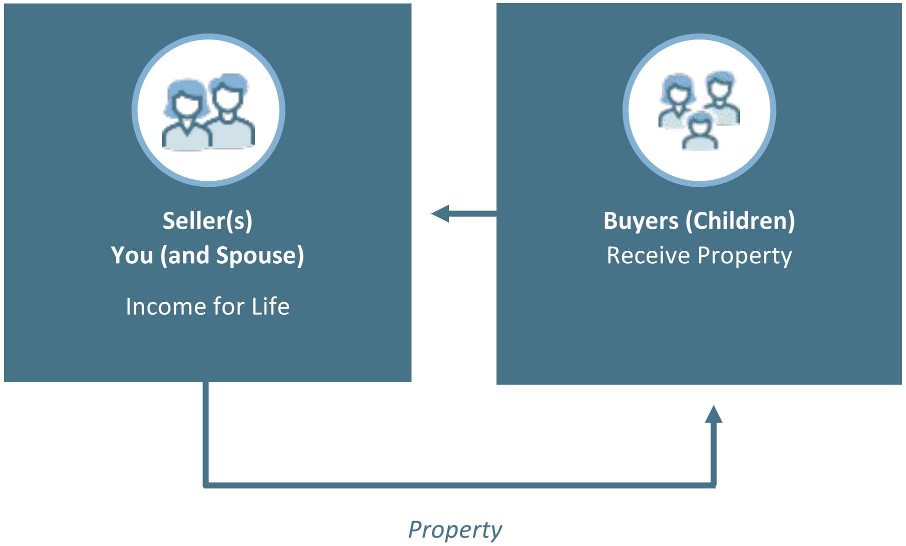
Estate Freeze



Family Limited Partnership (FLP)

- An FLP is a business entity that enables transfer of family business ownership to the next generation.
- Typically, the older generation becomes general partners and the younger generation becomes limited partners.
- An FLP protects limited partners from future creditors of business.
- Interests gifted to limited partners are valued at discounts as high as 60%.
- However, there is a high risk of an IRS challenge.

Estate Freeze



Private Annuity

- Property is sold in exchange for an unsecured promise to pay specified income to you (or to you and your spouse) for life.
- The transaction is not subject to gift tax.
- The property is removed from the estate entirely.

Charitable Giving

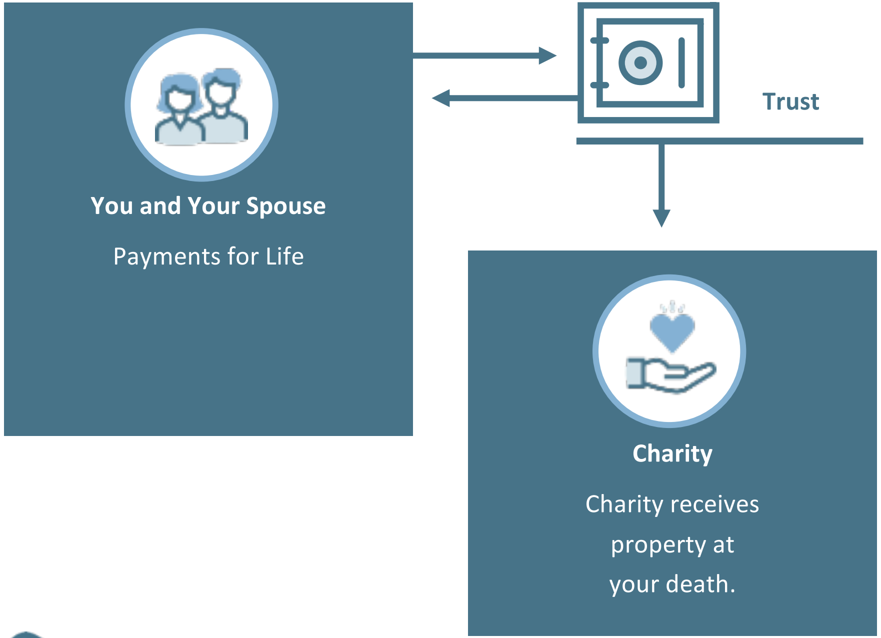
Advantages

- Rewarding on a personal level
- Fully deductible for gift and estate tax purposes
- May be deductible for income tax purposes

Options

- Simple bequests
- Outright gifts
- Charitable trusts
- Charitable annuities
- Community and private foundations
- Donor-advised funds

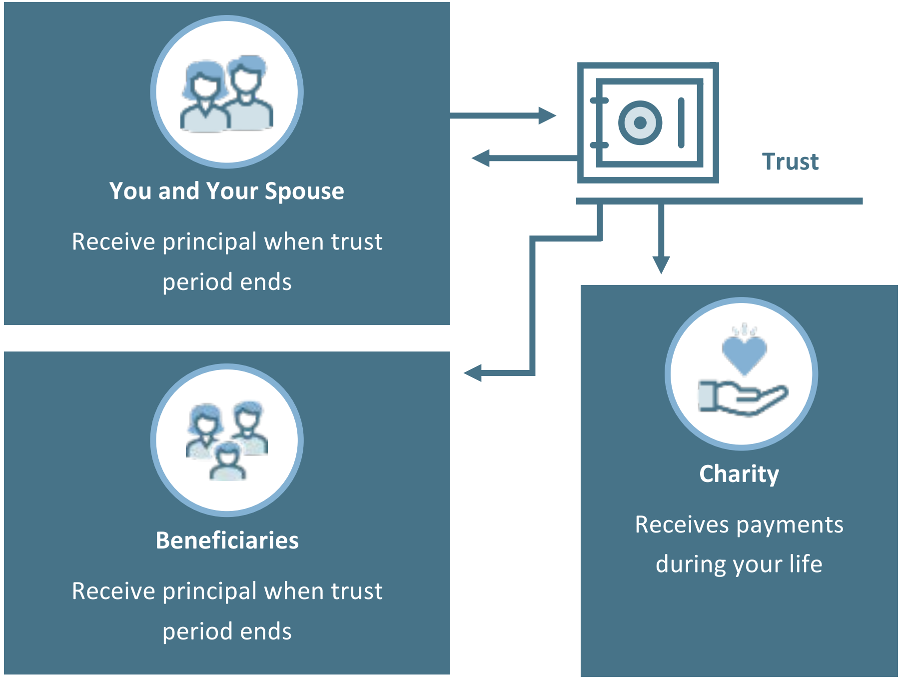
Charitable Giving



Charitable Remainder Trust (CRT)

- A CRT is an irrevocable trust that provides payments to you (or you and your spouse) for life.
- The designated charity receives property at your death(s).
- You can change charitable beneficiary at any time.
- You may be able to serve as trustee and control assets.

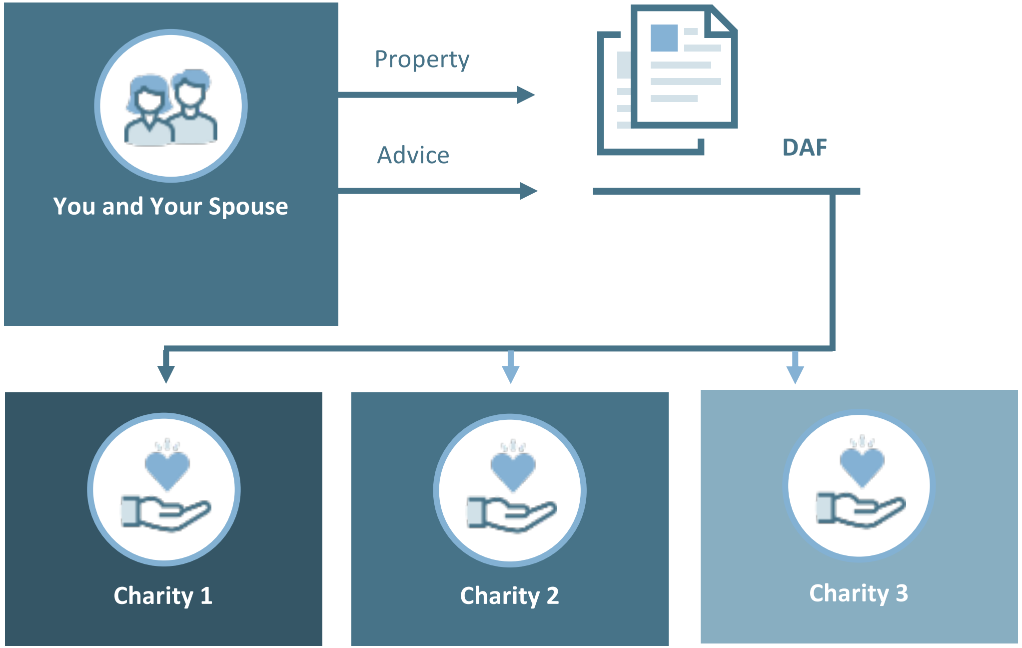
Charitable Giving



Charitable Lead Trust (CLT)

- With a CLT, the charity receives payments during your life, the lives of you and your spouse, or a term of years.
- You or your beneficiaries receive the trust principal when the trust period ends.
- The value of transfer is reduced by value of payment stream to the charity.
- It channels future appreciation to beneficiaries estate tax free.

Charitable Giving



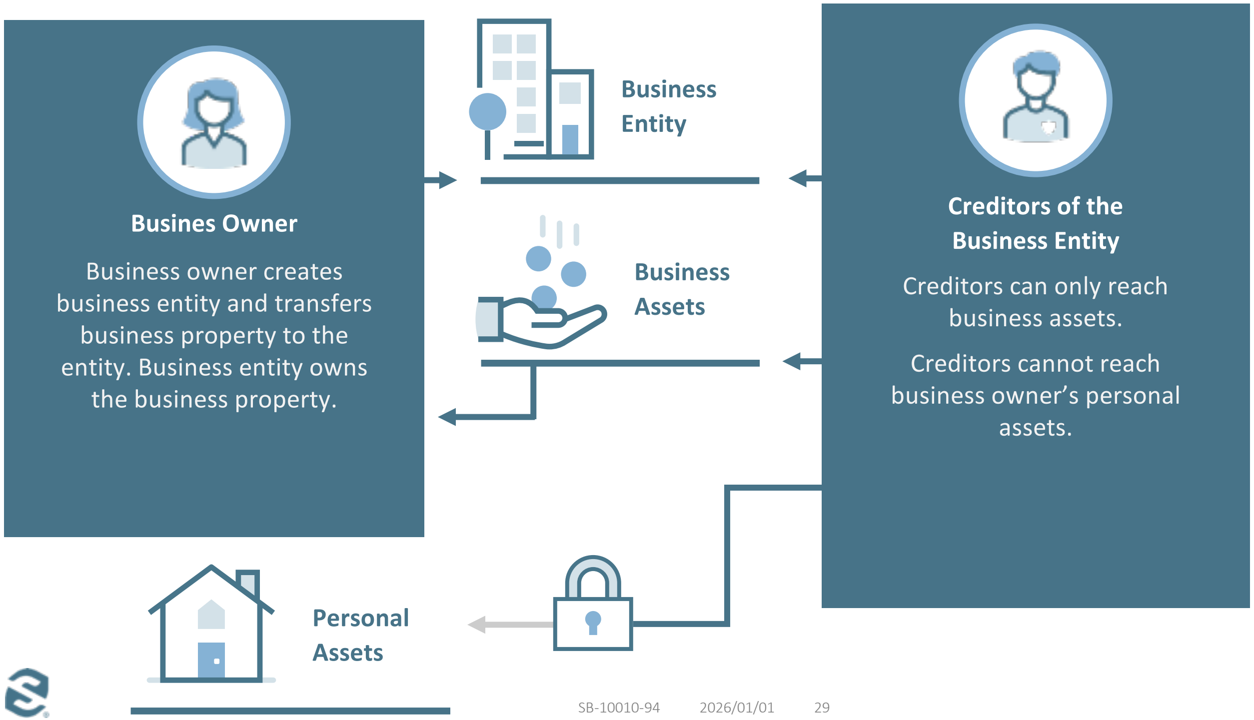
Donor-Advised Fund (DAF)

- A DAF is an alternative to a private foundation but is easier to create and manage, and requires less money.
- A DAF invests your donations and makes grants to charities.
- You can offer advice, but a DAF is not required to follow your suggestions.
- Grants can be made in your name or anonymously.
- A DAF provides an immediate income tax deduction.

Asset Protection

- Your wealth may be vulnerable to future creditors.
- State and federal laws may provide a degree of protection.
- Adequate insurance protection is sufficient for most.
- Advanced strategies include forming a business entity to hold business assets and transferring personal assets to a protective trust.

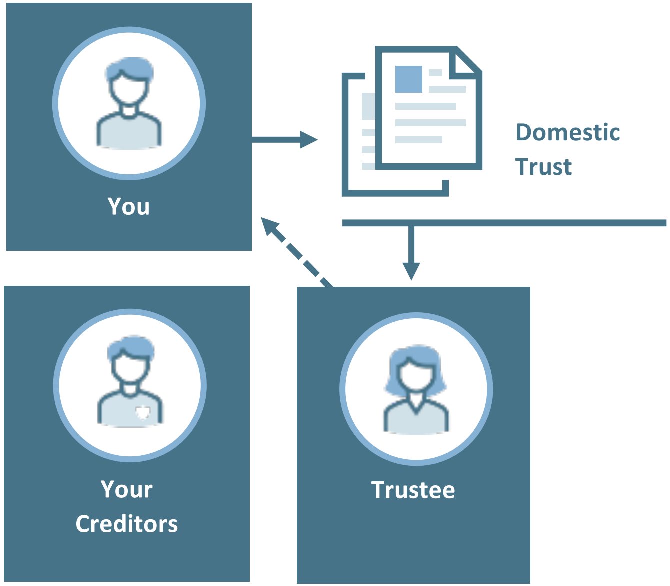
Asset Protection



Business Entity

- Separate legal entity owns business assets.
- Business entity is responsible for all business debts.
- Personal assets are not at risk for acts of business.
- Several considerations, including income tax consequences, need to be evaluated in choice of business entity.

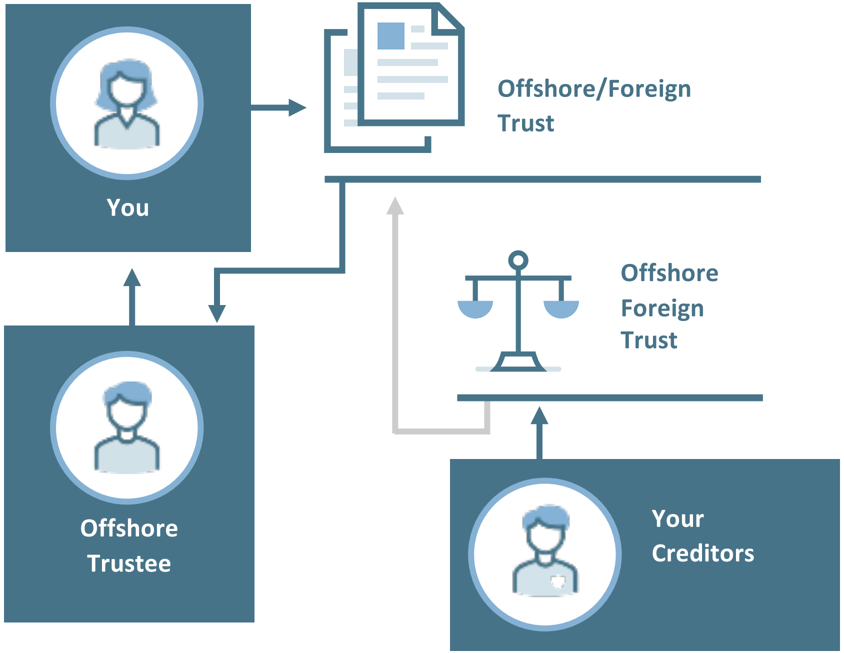
Asset Protection



Self-Settled Domestic Trust

- You can name yourself as primary or even sole beneficiary of a self-settled domestic trust.
- The trustee has discretion to distribute or **not** distribute trust property.
- Creditors can only reach property you have a legal right to receive.
- Creditors are unable to reach property while in the trust.
- Creditors **can** reach property once it is distributed to you.

Asset Protection



Offshore/Foreign Trust

- U.S. courts have no jurisdiction over foreign trusts.
- Creditors must commence suits in courts of foreign jurisdiction.
- Creditors must engage an attorney in a foreign jurisdiction and may have to pay fees and bond up front.
- Obstacles may deter creditors from pursuing action.

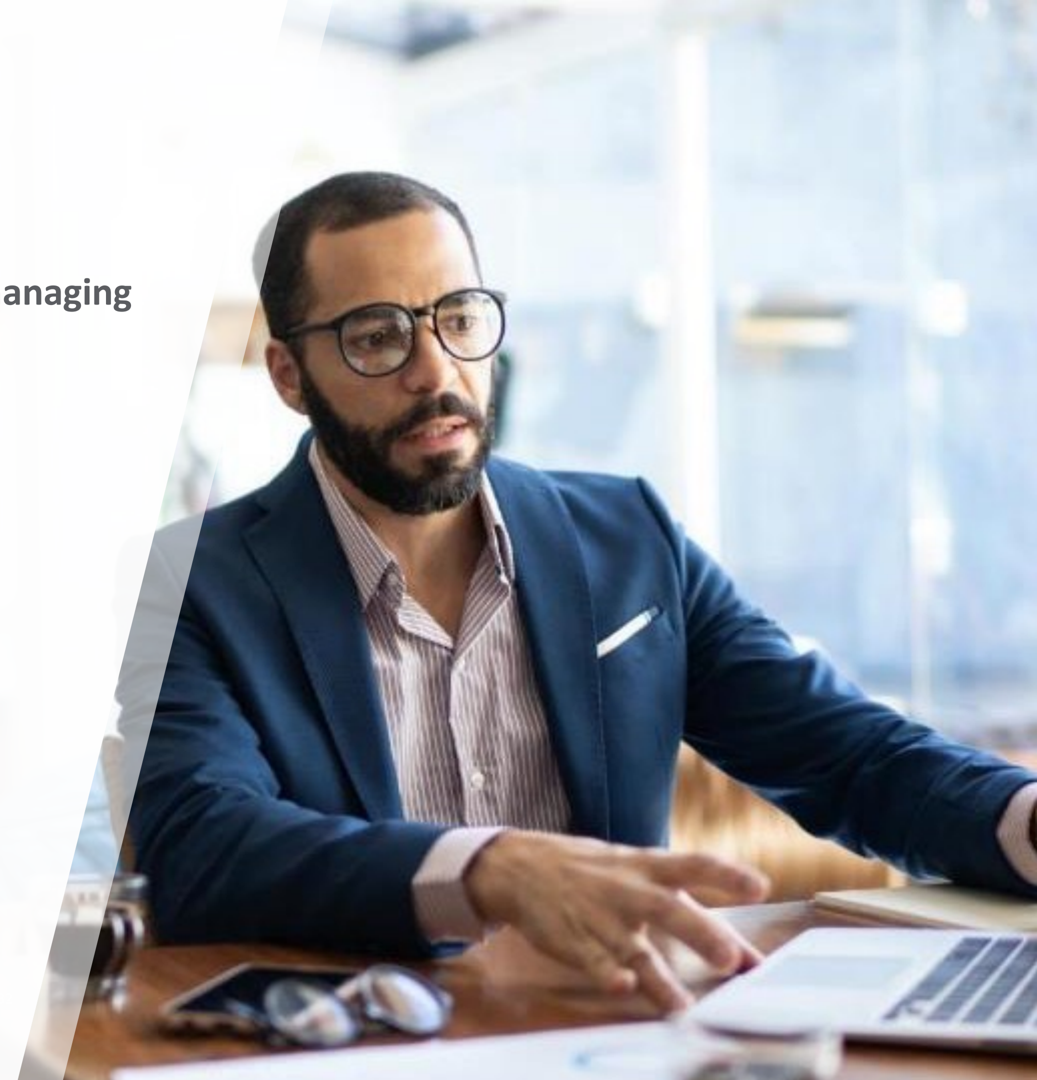
Managing Digital Accounts

Another important aspect of estate planning is managing online accounts and data you may have with:

- Financial institutions
- Utility companies
- Internet, cable, and streaming providers
- Social media outlets
- Shopping sites
- Smartphone apps

Steps

1. Compile an account list.
2. Store and protect information.
3. Designate a digital executor.



Compiling a Comprehensive Account List

Personal

- Email, photos, videos, music, apps

Financial

- Checking, savings, and retirement accounts
- Shopping, travel, and entertainment, and news sites
  - (e.g., Amazon, eBay, PayPal, airlines, Ticketmaster, MLB, New York Times, Netflix)
- Utility, cable, and smartphone accounts
- Subscriptions to magazines and news outlets

Business

- Personal website, blog, or other digital asset pertaining to business holdings

Social Media

- Facebook, Twitter, LinkedIn, Instagram

Store and Protect Your Information

Be sure to include username, password, account number, and a description of what's included in each account in your document.

1. Handwritten document
2. Spreadsheet saved on a thumb drive
3. Contract with a third party to manage, save, and encrypt your passwords for all accounts

Tips

- Compile a single document.
- Do not save the document on your computer in case of data loss or a security breach.
- Save the document in a fireproof home safe or a safety deposit box.
    - Caution: Some states prevent a safety deposit box from being opened after the owner dies without the approval of the probate court. Consult your attorney.
- For photos, videos, and music, consider backing up the data on your computer, a thumb drive, or DVD stored in a safe place or through a cloud account.

Designate a Digital Executor

Your digital executor may also be the executor of your estate.

Provide the executor with:

- Your online account summary
- All passwords
- A letter of instruction outlining how digital assets will be distributed or deleted:
    - Photos, videos, and other valuable and/or sentimental data that can be duplicated for family members
    - Social media accounts that can be closed

For online financial accounts, assets will be distributed to heirs based on your will, trust, or beneficiary designation, after which the entities will close your accounts.

Conclusion

- Is estate tax a planning concern for you?
- Do you plan to give or leave property to your grandchildren?
- Do you plan to give or leave significant property to charity?
- Do you own an interest in a business or farm?
- Is asset protection a concern for you?

Thank You

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begins here.

For additional information, including any specific advice or recommendations, please visit with your financial professional.

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One Security Benefit Place

Topeka, KS 66636

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