SECURITY BENEFIT

ADVANCED ESTATE PLANNING

AN OVERVIEW OF SOME SOPHISTICATED STRATEGIES

Who Needs Advanced Estate Planning?

If your estate exceeds the federal gift and estate tax basic exclusion amount ($15 million in 2025), there are several strategies to help minimize federal estate taxes so that more of your money will go to your loved ones instead of the federal government. You might also consider advanced estate planning if you:

- Want to provide for grandchildren or later generations
- Own a family business or farm
- Want to donate to a charity
- Want to shield assets from future creditors, an ex-spouse, or your heirs' creditors/ex-spouses

Three Types of Transfer Tax

✓ **Federal gift tax** — This is imposed on transfers you make during your life.

✓ **Federal estate tax** — This is imposed on transfers made upon your death.

✓ **Federal generation-skipping transfer (GST) tax** — This is imposed on transfers to individuals who are more than one generation below you (such as grandchildren) both during your life and upon your death.

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The Unified System: How Transfer Taxes Work Together

Under the current federal transfer tax system, gift and estate taxes are unified, meaning all transfers — those made during life and those made at death — are combined and taxed on your estate tax return. Any gift tax that has already been paid is subtracted from any estate tax that is owed. (Note: the GST is a separate tax imposed on both gifts and estate transfers).

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

TOP TAX RATES AND EXCLUSION AMOUNTS IN 2023

40%

Tax Rate

Applies to gift tax, estate tax, generation-skipping transfer tax

Your transfers could be subject up to these rates.

$15 million

Basic Exclusion Amount

Gift and estate tax basic exclusion amounts are adjusted annually for inflation.

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

Estate Tax Exclusion Portability

Starting in 2011, estate tax exclusion regulations began allowing for portability between spouses. The first deceased spouse's unused portion of the federal exclusion amount is available for use by the surviving spouse's estate on top of the surviving spouse's own federal exclusion amount, subject to certain limits.

Portability may make minimizing gift and estate taxes easier for spouses but it's important to note this same strategy is not available for the GST exemption.

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

Generation-Skipping Transfer Tax (GST) Exemption

GST tax exemptions mirror the estate tax basic exclusion amounts and are currently $15 million for 2025. These exemptions are expected to return to pre-2018 levels and may be cut by as much as one-half. It's important to know that the GST tax exemption is not portable between spouses.

Certain Gifts and Transfers Are Excluded From Transfer Taxes

- You can give a $19,000 gift each year to as many individuals as you want ($38,000 if you and your spouse make the gift together).
- You can give $95,000 ($190,000 with spouse) to a 529 tax-deferred college savings plan, although you will have to report the gift over a period of five years.
- Payments made directly to an educational institution for another individual's tuition are exempt.
- Amounts paid directly to a medical care provider for another individual's medical care are exempt.

Marital Deductions

Generally, transfers you make to your spouse, either during your lifetime or at your death, are fully deductible for transfer tax purpose.

- 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 exclusions (2025).

Minimizing Estate Taxes

It's important to work with your financial professional to find strategies appropriate for your circumstances and objectives. Below are just a few options to help minimize the impact of taxes.

Equalizing Each Spouse's Estate

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.

Optimizing Marital Deduction

The first spouse to die leaves an amount equal to estate tax exclusion to children (no tax: estate tax exclusion). The balance of the estate is left to the spouse (no tax: marital deduction). This defers estate tax until the surviving spouse's death.

Bypass (Credit Shelter) Trust

This allows both spouses to fully use estate tax exclusions while giving a surviving spouse restricted access to more assets.

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. At surviving spouse's death, remaining assets pass to trust beneficiaries.

Dynasty Trust

This preserves wealth for multiple generations. Trust assets remain sheltered from transfer taxes while in the trust.

Grantor Retained Annuity Trust (GRAT)

A GRAT removes property from the estate while allowing you to retain interest. An annuity is paid to you for a specified period of years, then the property passes to beneficiaries.

Qualified Personal Residence Trust (QPRT)

A QPRT is funded with a personal residence. You retain the right to continue living in the home for a specified number of years. If you outlive the specified term of years, the home is not included in your taxable estate.

Charitable Giving

When you give assets to charity, you're reducing your taxable estate by the full amount of your gift. You pay no gift or estate taxes on the transfers. Additionally, your gift may be deductible for income tax purposes. And you can eliminate capital gains if you donate property with a low-cost basis and a highly appreciated fair market value.

Charitable Remainder Trust (CRT)

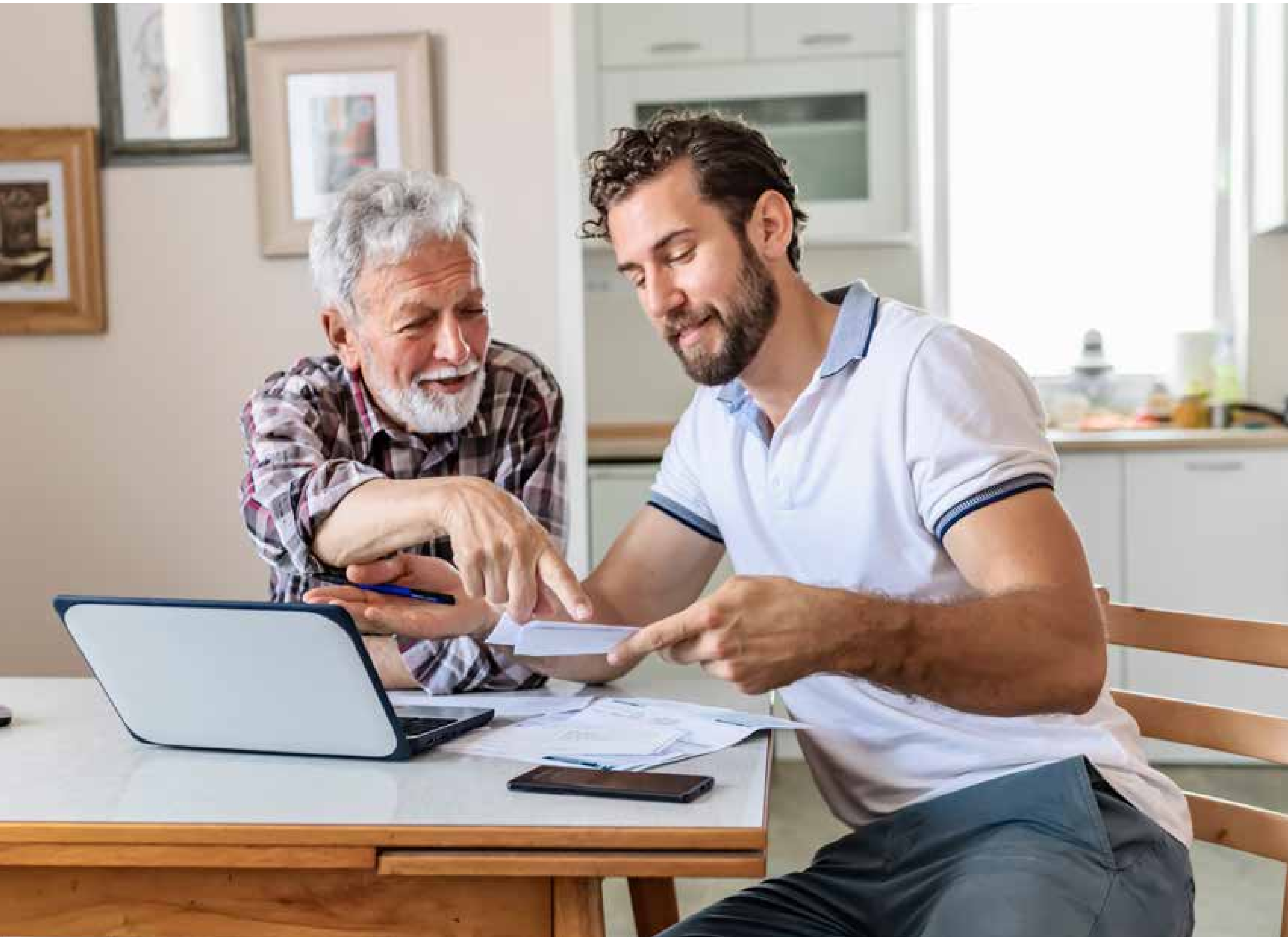
A CRT is an irrevocable trust that provides payments to you (or you and your spouse) for life. The designated charity receives property at your death(s).

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.

Donor Advised Funds (DAF)

A DAF is an alternative to a private foundation but is easier to manage and requires less money. A DAF invests your donations and makes grants to charities. A DAF provides an immediate income tax deduction.



Asset Protection

If you haven't done any asset protection planning, your wealth is potentially vulnerable. Adequate insurance, including life, health, disability, long-term care, property, liability, and business, provides enough protection for most people but others require more elaborate strategies. Such strategies can include creating a business entity to own business assets and putting personal assets into a protective trust.

The Role of the Business Entity

Corporations, limited liability companies, and limited liability partnerships are separate legal entities in the eyes of the law. If one of these types of business entities owns your business assets, the entity will be responsible for all business debts.

Protective Trusts

The laws in a number of states enable you to set up a self-settled domestic trust. With a self-settled trust, the person who creates the trust can name himself or herself primary, or even sole, beneficiary. The key to this type of protective trust is that the trustee has the discretion to distribute or not distribute trust property. Creditors are unable to reach property while it is in the trust. However, creditors can reach property once it is distributed by you.

Offshore/Foreign Trust

For a creditor to be able to reach assets held in a trust, a court must have jurisdiction over the trustee or the trust assets. Where the trust is properly established in a foreign country, obtaining jurisdiction over the trustee in a U.S. court action will not be possible. Creditors may be deterred by obstacles and fees associated with filing a suit and paying an attorney in a foreign jurisdiction.

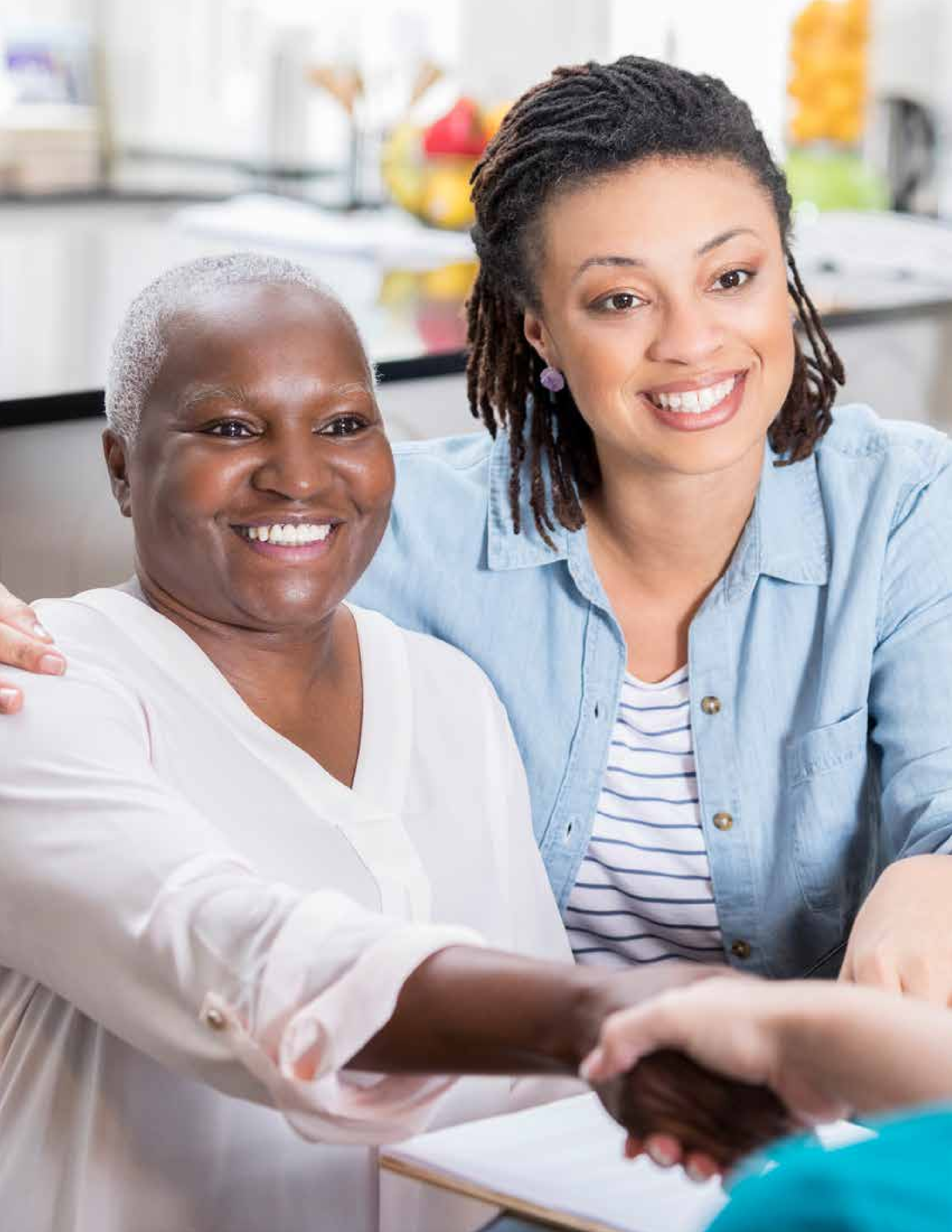
Managing Digital Accounts

Today's estate plans go beyond setting up strategies for distributing assets and dividing property. Many people have multiple online accounts with financial institutions, utility companies, social media platforms, smartphone apps, and more. An effective digital estate plan entails three steps:

1. Compile a comprehensive account list with passwords.
2. Store and protect your information.
3. Designate a digital executor or make your executor aware of your digital assets and preferences upon your passing.

Plan Today for Peace of Mind Tomorrow

Life is uncertain. Establishing an estate plan can provide you and your loved ones with peace of mind and alleviate the burden of making decisions during a crisis. Assessing your goals and implementing a plan with input from a financial professional can be one of the best things you can do for your overall financial, physical, and emotional well-being.



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One Security Benefit Place | Topeka, KS 66636 | SecurityBenefit.com

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