



LEGACY PLANNING: THE ROLE OF SPOUSAL LIFETIME ACCESS TRUSTS (SLATs)

At Life By Design Investment Advisory Services, we believe that legacy planning goes beyond securing your family's financial future—it's about aligning your wealth with your personal goals, values, and the life you've worked hard to build. One innovative tool that can help you do this is the Spousal Lifetime Access Trust (SLAT), a strategy that balances providing for your spouse while reducing estate taxes, ensuring a lasting legacy for future generations.

What is a Spousal Lifetime Access Trust (SLAT)?

A Spousal Lifetime Access Trust (SLAT) is an irrevocable trust that one spouse creates for the benefit of the other. Its unique appeal lies in its dual purpose: it provides financial support to your spouse during their lifetime and preserves wealth for the future by minimizing estate taxes. The assets placed in a SLAT grow outside of your estate, protecting them for the next generation while aligning with your long-term financial and legacy goals.

Key Tax Benefits of a SLAT

A SLAT offers several tax advantages, making it a highly effective estate planning tool for married couples:

- **Gift Tax Exemption:** By funding a SLAT, you can utilize the annual gift tax exclusion and the lifetime gift and estate tax exemption. For 2024, this exemption is \$13.61 million per individual. This means you can transfer a substantial portion of your assets into the trust without facing gift taxes, reducing your taxable estate and protecting your wealth for future generations.
- **Estate Tax Reduction:** Assets placed in a SLAT are removed from your estate, which can significantly lower the estate taxes owed upon your passing. Since the trust is irrevocable, both the principal and any appreciation in the trust are not counted in your taxable estate, providing substantial tax savings.
- **Generation-Skipping Transfer Tax (GSTT):** If you wish to extend the benefits of a SLAT beyond your spouse to your children or grandchildren, you can take advantage of the Generation-Skipping Transfer Tax exemption. This allows the assets to pass to multiple generations free of GST taxes, preserving your family's legacy across time.
- **Income Tax Considerations:** A SLAT is treated as a grantor trust for income tax purposes, meaning you, the grantor, will pay the taxes on any trust income. While this may seem like a disadvantage, it allows the assets within the trust to grow without being diminished by income tax, benefiting your spouse and future heirs.

For clients in California, although there are no state estate or inheritance taxes, the trust's income generated from California-based investments may still be subject to state income taxes. At LBDIAS, we guide you through these nuances to ensure your SLAT complements both federal and state tax strategies.

Creating a SLAT: How We Help

Establishing a SLAT is a detailed process, but with the right guidance, it can become a powerful part of your estate plan. Here's how we at LBDIAS help you navigate the steps:

1. **Consult with Experts:** We collaborate closely with your legal and tax advisors to ensure a SLAT fits seamlessly into your broader financial strategy.
2. **Determine the Terms:** Tailor the trust's provisions, ensuring that distributions to your spouse and potential future beneficiaries align with your life goals.
3. **Fund the Trust Strategically:** Choosing the right assets to fund the SLAT is key to maximizing its growth potential and tax efficiency.

A Holistic Approach to Legacy Planning

While a SLAT is a valuable estate planning tool, it works best as part of a comprehensive legacy plan. At LBDIAS, we take a holistic view of your financial future, integrating SLATs with other essential tools such as wills, other types of trusts, and charitable giving strategies. This allows you to create a well-rounded plan that reflects your values, ensures financial security for your loved ones, and leaves a meaningful legacy.

If you're exploring whether a SLAT or other legacy planning strategies are right for you, we invite you to connect with our team at Life By Design Investment Advisory Services. Our mission is to craft financial plans that reflect your unique vision for the future, ensuring you live your life by design—not by default. **Reach out today to begin your journey toward a lasting legacy that honors your goals and values.**

Life By Design Investment Advisory Services is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, investment strategies, and/or insurance products. Investments involve risk and, unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.