



## California Estate Tax?

Howard Jarvis, hailed for his role in Proposition 13 (property tax), also led the move to eliminate the California inheritance tax, which was repealed in 1982. Now there is a move to put a proposition on the November ballot to impose a California estate tax. The tax will be 15% for estates over \$3,500,000, rising to 22% for estates over \$5,490,000. If there are no other changes to the current tax laws, that means that in 2026 when the federal exemption is \$6,500,000, the estate tax rate over \$6,500,000 will be 62%!

### Your estate will likely be more than you think...

An estate of \$5,000,000 to \$40,000,000 is now a moderate size estate. Why?

#### Here is what happens with a \$5,000,000 estate:

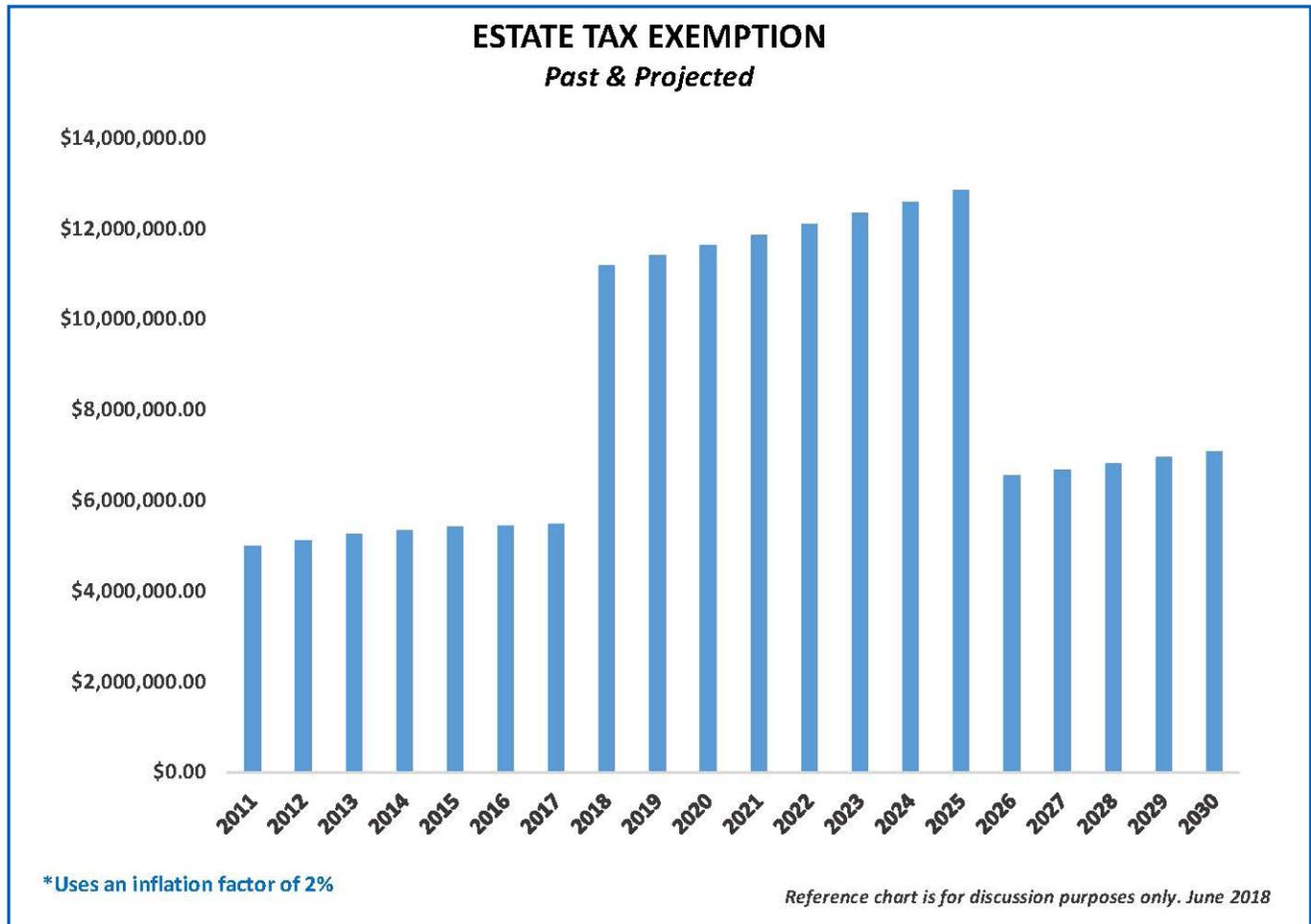
Age	50	60	70	80	90
Life Expectancy	35	25	17	10	6
<b>Value at Life Expectancy</b>					
<b>Assumed Growth Rate</b>					
6%	\$38.4	\$21.5	\$13.4	\$9.0	\$7.1
7%	\$53.4	\$27.1	\$15.8	\$9.8	\$7.5
8%	\$73.9	\$34.2	\$18.5	\$10.8	\$8.0
9%	\$102.1	\$43.1	\$21.6	\$11.8	\$8.4
10%	\$140.5	\$54.2	\$25.3	\$13.0	\$8.9

#### Here is what happens with a \$10,000,000 estate:

Age	50	60	70	80	90
Life Expectancy	35	25	17	10	6
<b>Value at Life Expectancy</b>					
<b>Assumed Growth Rate</b>					
6%	\$76.8	\$43.0	\$26.8	\$18.0	\$14.2
7%	\$106.8	\$54.2	\$31.6	\$19.6	\$15.0
8%	\$147.8	\$68.4	\$37.0	\$21.6	\$16.0
9%	\$204.2	\$86.2	\$43.2	\$23.6	\$16.8
10%	\$281.0	\$108.4	\$50.6	\$26.0	\$17.8



The following chart illustrates that the lifetime transfer tax exclusion per person is “doubled” for a limited number of years. Currently, if you do not use the extra amount before **1/1/2026**, it will be lost.



## Elections

One reason not to wait to use the increased exemption is that there will be elections in 2018; 2020 (also for President); 2022; and 2024 (also for President). If the party not in power takes over control, the exemption is likely going to be reduced sooner than January 1, 2026.

## Conclusion

TMH has various estate planning strategies to mitigate the estate tax. Properly structured life insurance is often considered as an important part of these strategies. For more information please contact a member of the TMH Team.

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