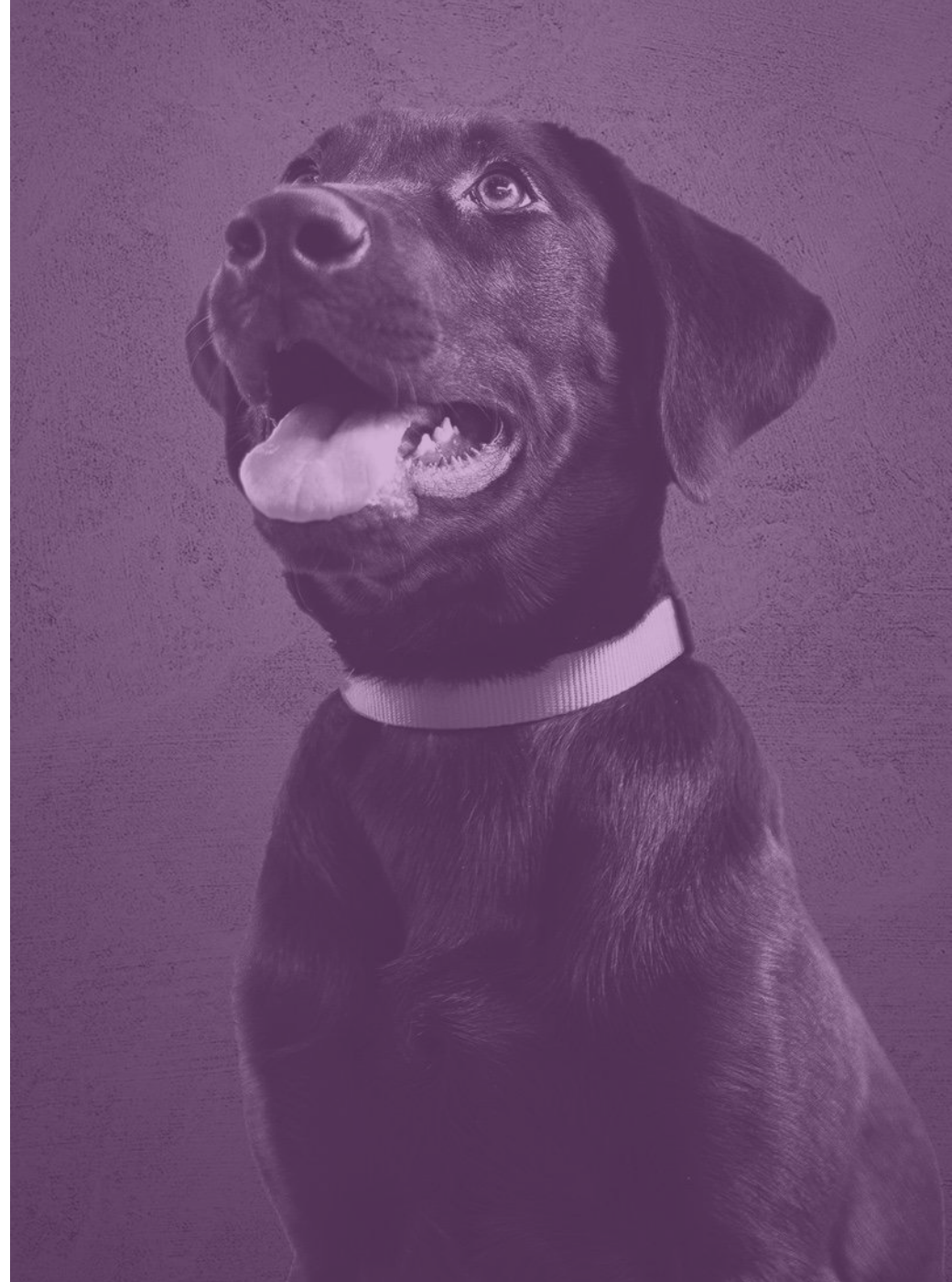


Fiercely Loyal[®]



Estate Planning: The Basics & The Effects of the One Big Beautiful Act

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2026



Roadmap

- The Basics of Estate Planning
 - Wills
 - Durable Power of Attorney
 - Healthcare Power of Attorney
 - Trusts
- The Basics of Estate Taxation
 - Principles underlying Gift & Estate Taxation
 - Tax Advantageous Trusts
- Impacts of the One Big Beautiful Bill Act (OBBBA)
- Other Proposed Legislation

The Basics of Estate Planning

Pop Quiz

How long is the longest will ever recorded?

95,940 words!!

Pop Quiz

How long is the shortest will ever recorded?

3 words!!

How to Pass Property at Death

There are Multiple Ways Property is Transferred at Death:

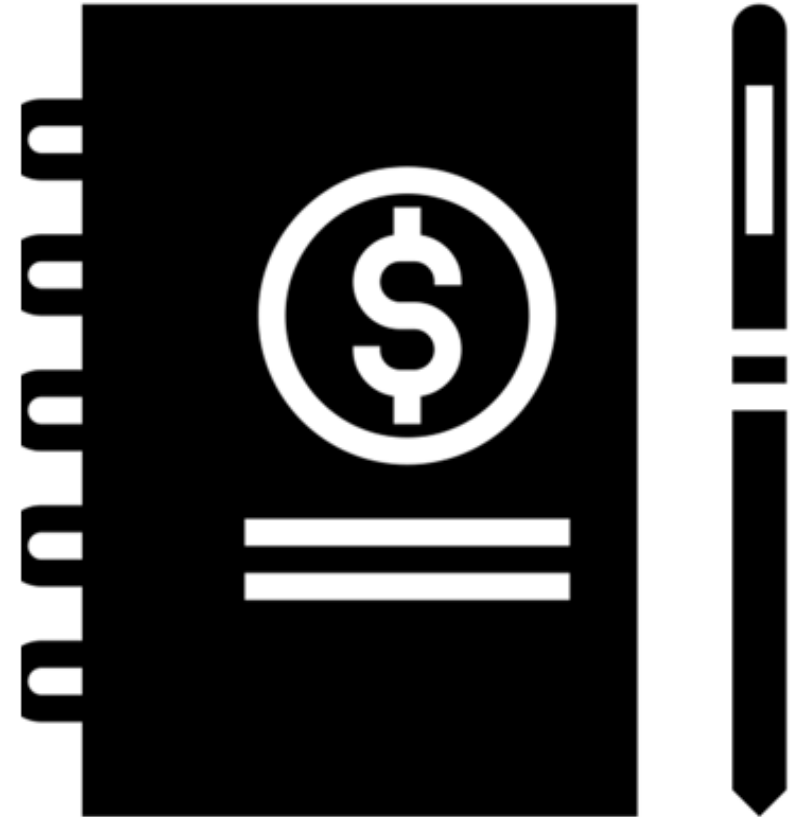
1. Joint Ownership with Right of Survivorship
2. By Contract
 - Specific Beneficiary Designations
 - Life Insurance
 - Retirement Accounts
 - Transfer on death or payable on death designations
 - Bank Accounts
 - Brokerage Accounts
3. Pursuant to Estate Plan
 - Last Will and Testament
 - Revocable Trust
4. Intestacy

Wills – The Ins and Outs

- Advantages:
 - You can specify the persons who administer the distribution of your property
 - You can specify the beneficiaries and the method by which they receive the benefit from your property
 - You can implement tax planning to conserve the value of your estate
 - You can waive bond and reporting costs
 - You can specify who will be guardians of children, if applicable
- The law does not require to you make a will
- Disinherit – can you do it?
- Will contests

Durable Power of Attorney

- This names the person(s) that can take care of your financial decisions if you are unable to do so.
- Can either be springing (effective upon your incapacity) or immediate (effective immediately, not just when you are medically incapacitated)
- These documents spell out the scope and authority that your attorney-in-fact will have when it comes to financial decisions.
- Anyone over age 18 should consider having this.



Healthcare Power of Attorney



- This names the person(s) that can make your healthcare decisions if you are unable to do so.
- These documents spell out the scope and authority that your attorney-in-fact will have when it comes to your healthcare decisions.
- Can also include an advanced directive that spells out your end-of-life wishes (withholding artificial nourishment, CPR, etc.)
- Anyone over age 18 should have one of these.

Trusts – The Ins and Outs

- Two ways to create
 - During lifetime (Intervivos)
 - By Will (Testamentary)
- Trusts provide a means of managing property in life and following death
- Trusts can protect assets from beneficiary's creditors
- Trusts allow for more sophisticated tax planning
- Trust assets are NON-PROBATE assets
 - Fund your trust!



The Basics of Estate Taxation

Underlying Principles

- Estate Tax: tax on the *transfer* of property at death
- Gift tax: tax on a gift to another person, typically paid by the donor
- Exceptions to Gift & Estate Taxes
 - Marital deduction
 - Charitable deduction
 - Estates below the federal exemption threshold → \$15 million
 - Federal annual gift tax exclusion → \$19,000
 - Qualified Medical and Educational expenses

Year of Death	If Amount Described Above Exceeds:
2011	\$5,000,000
2012	\$5,120,000
2013	\$5,250,000
2014	\$5,340,000
2015	\$5,430,000
2016	\$5,450,000
2017	\$5,490,000
2018	\$11,180,000
2019	\$11,400,000
2020	\$11,580,000
2021	\$11,700,000
2022	\$12,060,000
2023	\$12,920,000
2024	\$13,610,000
2025	\$13,990,000
2026	\$15,000,000

Calculating Estate Tax


- What is taxed → “Taxable Estate”
 - Gross Estate = fair market value of everything owned and certain interests held at the date of death
 - Deductions: mortgages, estate administration expenses, property passing to surviving spouses and qualified charities.
- Taxable Estate + lifetime taxable gifts
- Apply tax rate to amount above the exemption.

Pop Quiz

How much has Warren Buffet given to charity?

Over \$ 60 billion

Tax Benefits as Motivator?



On his Giving Pledge philanthropy: The way I got the message out was to get a copy of FORBES, look down that 400 list and start making phone calls! Bill and Melinda [Gates] did the same thing. So keep publishing the list so I can milk it.

— Warren Buffett —

Miscellaneous

- DO NOT GIFT REAL PROPERTY
- Special Needs Consideration
- Remember your tax-free gifts!
 - \$19,000 annual exclusion
 - Tuition
 - Medical



Income Tax Considerations while Estate Tax Planning

- Generally, all inherited assets receive a step up in tax basis to the fair market value of the asset on the decedent's date of death (Section 1014). The step up in basis is subject to certain limitations:
 - Gifted assets receive a carryover basis (i.e., no basis adjustment). It is usually better to inherit an asset than receive the same asset as a gift.
 - Assets gifted to a decedent within 1 year of death, that are ultimately inherited by the original donor, do not receive a basis adjustment upon death (Section 1014(e)).
 - Assets held in a grantor trust do not receive a basis adjustment on the grantor's death. *Note that this issue is currently before the tax court.*
- Non-grantor trusts have very compressed tax brackets. A non-grantor trust reaches the 37% tax bracket after \$16,000 of income.

Income Taxation of Trusts

- For purposes of federal income taxation, a trust is either classified as a grantor trust or a non-grantor trust.
- **Grantor Trusts**: Grantor trusts are treated as being owned by the grantor for federal income tax purposes (effectively, a disregarded entity). This means all tax attributes are passed through to the owner (e.g., income, gain, loss, depreciation, etc.). Grantor trusts provide unique planning opportunities.
- **Non-Grantor Trusts**: Non-grantor trusts are regarded entities for federal income tax purposes. Non-grantor trusts reach the highest tax bracket very quickly; however, sometimes can be used to avoid state taxation.

What Makes a Trust a Grantor Trust?

- A grantor trust is any trust in which the grantor retains a power described in Sections 673-679 of the Code, which include:
 - A reversionary interest (subject to certain limitations)
 - Excessive powers to control the enjoyment of the trust income and property
 - Prohibited administrative powers that enable him to deal in an advantageous way with the trust property
 - Power to revoke (or amend) the trust
 - Right to receive income as grantor or grantor's spouse
 - Anyone other than the grantor who has power to vest the corpus or income of the trust in himself is taxed as trust owner.
- A non-grantor trust is any trust that does not contain one or more of these powers (or said powers lapse upon the grantor's death).

Pop Quiz

Whose son will not inherit any of his \$350 million estate because “if he is capable, he can make his own money. If not, he will just be wasting my money.”



Tax-Efficient Strategies – Trusts in General

- Irrevocable Life Insurance Trust (ILIT)
- Spousal Lifetime Asset Trust (SLAT)
- Intentionally Defect Grantor Trust (IDGT)
- Grantor Retained Annuity Trust (GRAT)

Irrevocable Life Insurance Trust (ILIT)

- A type of trust that allows the grantor to designate who gets the proceeds from a life insurance policy and how those proceeds are used.
- **Typical Plan**
 - Create ILIT
 - Fund with approximately the same amount as insurance premium
 - Use annual exclusion gifts as much as possible
- **Benefits**
 - Minimizes tax burden
 - Provides more control
- **Drawbacks**
 - Difficult to modify or revoke
 - Potential tax liability
 - Sometimes overly complex

Spousal Lifetime Access Trust (SLAT)

- One spouse creates an irrevocable trust for the benefit of the other spouse
- **Gifting to a SLAT:** benefits the spouse while getting assets out of the estate
 - Gifts from the donor spouse do not qualify for the unlimited marital deduction for federal gift tax purposes → uses up a portion of the donor spouse's lifetime exclusion amount
- **Advantages:**
 - Reduces estate's assets and tax liability
 - Allows beneficiary spouse to request distributions
 - Can be structured as a defective grantor trust
- **Disadvantages:**
 - Non-donor spouse dies before donor spouse
 - Potential for divorce
 - Distributions are subject to the terms of the trust and could be limited
 - Many disadvantages can be mitigated with thoughtful drafting

Intentionally Defective Grantor Trust (IDGT)

- Removes assets from grantor's estate while keeping the grantor responsible for income taxes
- Ideal structure for membership interests in closely held businesses or other highly appreciating assets
 - Why? Freezes value @ FMV at time of transfer (post-transfer appreciation is outside of the grantor's estate → no gift or estate taxes)
- Assets transferred to IDGT are out of the estate
 - Grantor's income tax payment is not a further gift, but does further reduce value of Grantor's estate

Intentionally Defective Grantor Trust (IDGT) Cont.

- **Benefit:**
 - Trust assets appreciate without the burden of an income tax liability
 - Asset protection
- **Drawbacks:**
 - Difficult to change or modify
 - Income tax burden falls on grantor
 - Can be complex

Installment Sales to Defective Trusts – Still Relevant

- Grantor sells assets to Grantor Trust in exchange for a promissory note
 - No gain recognition
 - Fixed gross estate inclusion (“estate freeze”)
 - Interest is tax-free
- Tax Effect: As this transaction is a sale for the asset's fair market value, no gift is made on the trust's purchase of assets from the grantor. Essentially, this transaction is a loan from the grantor to the trust in which the trust invests the borrowed funds in order to repay the grantor.

Grantor Retained Annuity Trust

- Grantor sets up an irrevocable trust and funds it by transferring assets into it. Grantor then receives annuity payments annually.
- Advantages:
 - Trust is tax-free
 - Provides flexibility
- Drawbacks
 - Grantor passes away during the trust term
 - Potential legislative restrictions
 - Does not minimize or eliminate GSTT

Pop Quiz

What celebrity plans to leave his estate to “kids and dogs?”

Simon Cowell



Impacts of OBBBA

Key Change → Gift & Estate Tax Exemptions

- 2025 exemption levels set at
 - \$13.99 million per individual
 - \$27.98 million per couple
- Previously, these exemptions were scheduled to “sunset” at the end of 2025 and revert to pre-Tax Cuts and Jobs Act levels (estimated around \$7 million per individual).
- OBBA “permanently” increases the exemptions to:
 - \$15 million per individual
 - \$30 million per couple
- These are indexed for inflation
- Not scheduled to “sunset” → this increase is “permanent”

Key Change → Qualified Small Business Stock

- Excludes part of gain from sale or exchange of a small business held for a certain period of time.
- OBBBA Effect:
 - modifies exclusion amount
 - 3 years → 50% exclusion
 - 4 years → 75% exclusion
 - 5+ years → 100% exclusion
 - Modifies definition of a “qualified small business”
 - Must have aggregate gross assets of \$75 million or less at all times.
 - Modifies total amount of gain to which exclusion could apply
 - \$15 million per issuer

Key Change → Trump Accounts

- **New** type of individual retirement account created by parents for their children
- Requirements:
 - The child is the only beneficiary
 - The child must be an “eligible individual”
 - Will not turn 18 in the year the account is created
 - Has a valid a social security number
- Contributions:
 - Starting July 4, 2026
 - \$6,000 cap for 2026-2027
 - \$1k contribution from federal government
- Distributions treated similarly to traditional IRA
 - Withdrawals = ordinary income
 - Potential penalties

What Remains the Same

- Federal estate tax remains at 40%
- Portability elections
- Gift exclusions
 - Annual exclusion (\$19,000 in 2026)
 - Qualified Medical Expenses
 - Qualified Tuition Expenses

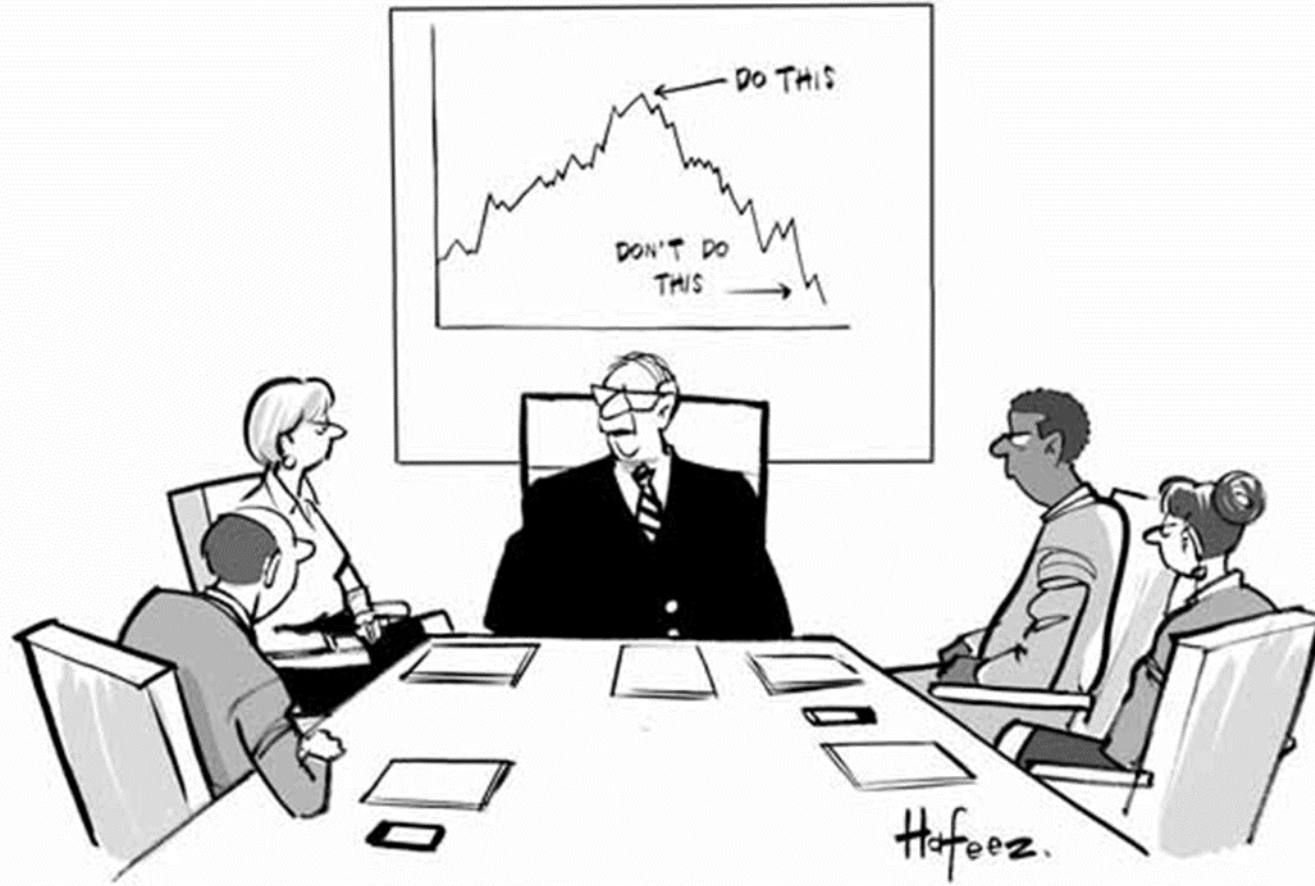
Other Proposed Legislation

Fair Trusts for Fiscal Responsibility Act

- Sponsors: Sen. Patty Murray (D-Wa.) and Sen. Ron Wyden (D-Ore.)
- May 12, 2026
- Seeks to impose tax on trusts holding over \$50 million in assets.
 - \$50 million – \$100 million → 1%
 - \$100 million – \$250 million → 1.5%
 - \$250 million – \$1 billion → 2%
 - Exceeding \$1 billion → 3%
- Additional valuation and reporting requirements

Getting Rid of Abusive Trust Schemes (GRATS) Act

- Sponsors: Sen. Ron Wyden (D-Ore.) and Sen. King (I-Maine)
- April 14, 2026
- Potential Effect:
 - Impose minimum and maximum terms on grantor retained annuity trusts (GRATs)
 - Impose income tax on transfers between trust and trust owner
 - Designate income tax paid on GRAT's income as a gift for gift tax purposes



"Any questions?"

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With over 10 years of experience and dual law and accounting degrees, Shelton Swafford Chambers serves as a trusted advisor for high net worth clients and family-owned businesses. Shelton advises clients in all areas of estate and tax planning, including dynasty trusts, charitable trusts, and family governance structures. Clients turn to Shelton as a reliable resource and guide for a wide range of matters, including helping families navigate multigenerational wealth preservation, general consulting for closely held business owners, trust planning and administration, estate planning and gifting techniques for high net worth families, charitable planning and governance, and federal estate and gift tax returns.

I love helping my clients and their families reach their personal and professional goals, while simultaneously working to solidify their legacies that will last for generations to come.



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Nick Nester advises high net worth individuals and private wealth clients on estate, tax, and wealth planning matters. He regularly assists with sophisticated estate and tax planning, including drafting wills, trusts, and powers of attorney, and guiding clients through complex planning decisions with clarity, care, and a long-term perspective. Nick also works closely with clients on customized planning strategies designed to preserve and transfer wealth efficiently. In addition, he assists with estate and trust administration, including probate and fiduciary matters, helping clients navigate tax filings and related issues during what are often challenging transitions.

I love the work I do because it involves looking at each piece of the puzzle and finding a way to fit them all together to best suit each individual client's situation.



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