



Five Fresh Planning Ideas for 2026

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For 2026, here are five tax and estate planning ideas to keep top of mind.

1. Bunching charitable contributions

Beginning in 2026, new limitations restrict the deductibility of charitable contributions for individuals who itemize deductions. First, generally only amounts exceeding 0.5% of an

individual's adjusted gross income are deductible.¹ For example, if an individual's adjusted gross income is \$5 million, that individual receives no deduction for the first \$25,000 contributed to charity, since 0.5% of \$5 million is \$25,000. In that case, a gift of \$25,000 in each of five years with the same adjusted gross income would result in no charitable deduction.

¹ More precisely, this limitation is based on the individual's contribution base, which is the individual's adjusted gross income calculated without regard to any net operating loss carrybacks. For most individuals, their contribution base will equal their adjusted gross income.

If instead, the individual contributed \$125,000 to a charity in one year (rather than spread over five years), the charitable deduction would be \$100,000.² Therefore, an individual may achieve greater tax savings by grouping several years of charitable gifts into a single year.

An additional limitation on itemized deductions applies to individuals in the highest tax bracket (37% in 2026). For this group, the charitable deduction (along with other itemized deductions) will be reduced by 2/37 (approximately 5.4%). This effectively limits the benefit of the itemized deductions to what the individual would enjoy if subject to the 35% marginal income tax rate. Timing a large charitable gift in a year when the individual is not in the top tax bracket (for example, due to a lower-income year) may create tax savings. For more information on the effect of the new tax law on charitable contributions, see Koy Kosek, *Impact of the 2025 Tax Act on Charitable Giving* (a publication of the UBS Advanced Planning Group).

Donor advised funds continue to provide flexibility to time charitable gifts. A contribution to a donor advised fund provides an immediate tax deduction in the year of the contribution while allowing charitable distributions over time. Thus, a donor advised fund may be an attractive way to bunch charitable contributions.

2. Upstream planning

Upstream planning refers to transferring assets to senior generations, such as parents and grandparents, rather than the typical downstream planning for children and grandchildren. With the federal estate tax exemption at \$15 million in 2026 (\$30 million for a married couple if both spouses are United States persons for estate tax purposes), individuals with estates exceeding the exemption may consider transferring assets to older family members with estates not exceeding federal and state estate exemptions to reduce future estate tax exposure. For example, an entrepreneur with a large estate may have parents or grandparents with more modest estates, well below the federal and state estate tax exemption levels. By transferring assets to senior family members, those assets could avoid estate tax (and potentially the generation-skipping transfer (GST) tax) due to their exemptions. In addition, the assets can ultimately pass back to younger generations with a step-up in basis, potentially eliminating some capital gains (explained in more detail below).

Nevertheless, there are meaningful risks with this strategy. Potential tax law changes could reduce the exemptions and cause estate tax at the senior generation's death. Also, the senior family member is under no obligation to return the assets to the intended beneficiary. Another risk is

that an appreciated asset gifted to someone who dies within one year and bequeathed to the original donor will not receive a step-up in basis. These risks can be mitigated by thoughtful planning, for example, using trusts that grant general powers of appointment and permitting an independent trust protector to adjust powers to account for future tax law changes.

3. Basis planning

When an individual dies, appreciated assets that are included in their estate for estate tax purposes generally receive a step-up in basis to fair market value, eliminating built-in capital gain for heirs.³ In contrast, assets gifted during lifetime retain the donor's original basis. Although lifetime gifting often results in estate tax savings, many families will have assets below the estate tax exemption thresholds. In that case, individuals may want to explore opportunities to capture the basis step-up at death. Certain techniques may be employed to achieve a step-up in basis, even for assets gifted during lifetime. Examples include upstream planning (explained earlier), distribution of assets to a trust beneficiary to cause estate tax inclusion when there is no estate tax exposure, granting a beneficiary a general power of appointment, and swapping high-basis assets held by the grantor for lower basis assets held by a trust that's a grantor trust with respect to the grantor.⁴

² There are other limitations on charitable deductions based on the individual's adjusted gross income, the type of property contributed, and the classification of the charitable recipient. For example, contributions of qualified appreciated property to a public charity can be deducted up to 30% of adjusted gross income, while contributions of cash to a public charity can be deducted up to 60% of adjusted gross income. For contributions to a private foundation, the limits are 20% and 30%, respectively. Excess charitable contributions carry over for five years. For more information on the charitable deduction, see David Leibell and Nicole T. Sebastian, *Charitable Giving: Rules of the Road* (a publication of the UBS Advanced Planning Group).

³ This alert uses the term "heir" in the colloquial sense—referring to a person who receives property from a decedent—rather than its strict legal sense.

⁴ Under Sections 671-679 of the Internal Revenue Code, the grantor of a trust is deemed to own the trust assets for income tax purposes if the grantor (or, in some cases, another person) holds certain rights, powers, or interests in the trust. For example, an irrevocable trust may be a grantor trust with respect to the grantor if the grantor has the power to swap assets of equivalent value with the trust. Since the grantor and the trust are the same taxpayer for income tax purposes, an exchange of assets between them generally will not trigger income tax consequences. Rev. Rul. 85-13; 1985-1 C.B. 184. In some cases, a trust may be (wholly or partially) a grantor trust with respect to a beneficiary.

4. Late GST tax exemption allocation

Broadly speaking, the GST tax is a tax incurred when assets pass to an individual who is two or more generations younger than the donor, such as grandchildren, and is imposed at the top marginal estate tax rate, currently 40%. Similar to the gift and estate tax exemption, there is a GST tax exemption equal to the estate tax exemption (\$15 million per individual in 2026 and \$30 million for a married couple if both spouses are United States persons for estate tax purposes).

Allocating GST exemption to a trust can shield that trust from the GST tax so that distributions to grandchildren or more remote descendants do not trigger the tax. The allocation is made on a timely filed gift tax return. There also are automatic allocation rules that may apply GST exemption when no

return is filed. If GST tax exemption is not timely allocated, a late allocation of GST exemption may be available. If an existing trust is not GST exempt, one could potentially allocate exemption to the trust based on the current value of the assets.

For more information about the generation-skipping transfer tax, see Rebecca Sterling, *Generation-Skipping Transfer Tax* (a publication of the UBS Advanced Planning Group).

5. Intergenerational split-dollar insurance planning

Intrafamily split-dollar insurance planning is a sophisticated planning technique whereby family members share the costs and benefits of life insurance. In many cases, the split-dollar arrangement can be a tax-efficient wealth transfer strategy. In the intergenerational plan, a senior family member provides funds to

purchase a life insurance policy on a younger family member (usually owned by a trust for the benefit of future generations). In return, the senior family member retains the right to be reimbursed for the premium payments when the insurance proceeds are paid at the younger insured's death. The intention is for the policy to provide long term growth and wealth benefits to the family without estate tax exposure. Reimbursement for the premiums is deferred over a long period of time. The repayment obligation is a fixed amount and may be subject to valuation discounts in the senior family member's estate, potentially minimizing estate taxes. For more information on split-dollar life insurance arrangements, see Jennifer Lan and Hunter Peek, *Life Insurance* (a publication of the UBS Advanced Planning Group).

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