



Rethinking Estate-Planning Strategies under the OBBBA

Recent changes in transfer-tax law under the One Big Beautiful Bill Act (OBBBA) could significantly impact estate planning for you and your clients. Even those whose estates fall under the new federal limits may benefit from a prompt plan review.

Many individuals think that estate planning is optional. They associate estate planning as something only extremely wealthy people do, and with a current estate-tax exemption of \$13.99 million (2025), it's easy to understand why. However, estate planning is for everyone, and planning for wealth transfer after one's passing can provide immense relief to heirs at a time of deep distress and grief.

Moreover, the passage of the OBBBA has made significant changes to the estate-planning landscape—changes that could impact how your clients wish to address their legacies. Let's explore some of the most important changes and how your knowledge can make a difference in easing their concerns.

1. New Thresholds. The current estate-tax exemption amount will rise \$1.01 million in 2026 to a total of \$15 million. While most Americans will not exceed this threshold, proper planning can help surviving spouses and other beneficiaries avoid estate inclusion as well. One effective strategy is to file an estate tax return for portability purposes. Portability preserves the deceased spouse's unused exemption amount (DSUE), assuring that the credit for both spouses is used.

2. Life Insurance and Nonqualified Annuities. The higher exemption mentioned previously makes it easier to leave life insurance and nonqualified annuities directly to a beneficiary. Life insurance passes federal income-tax free, and many states treat life insurance left to a spouse or children favorably as well.

Nonqualified annuities do produce ordinary income, but a designated beneficiary (DB) still can take a fixed life-expectancy payment option. Spouses have more flexibility, including continuing the nonqualified annuity contract.

3. State Estate Taxes. A few states impose estate taxes at a level significantly lower than the federal exemption amount. As an example, estate-tax exemption for New York is approximately \$7 million, with tax rates ranging from slightly over 3% to 16%. Nebraska has an inheritance tax on amounts over \$100,000, with rates between 0% to 15%. Residents of those states may want to plan accordingly to avoid or reduce state-level taxation.

4. Beneficiaries, Beneficiaries, Beneficiaries. This was true before the passage of the OBBBA, but it bears repeating: Clients should always keep beneficiary designations up to date. Not only in terms of who or what will inherit their assets, but also in terms of how those assets will pay out the beneficiary. Many people still are not familiar with the 10-year rule and RMD requirements for DBs as outlined by the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. As noted previously, these clients may not realize that DBs of nonqualified deferred annuities don't have the same payout requirements and can still utilize a stretch distribution option.

For many, estate planning is also tax planning. Certain assets, such as managed accounts, will step up in value

Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company or Pacific Life & Annuity Company. In New York, insurance products are only issued by Pacific Life & Annuity Company. Product/material availability and features may vary by state

**No bank guarantee • Not a deposit • May lose value
Not FDIC/NCUA insured • Not insured by any federal government agency**

This material is intended for financial professional use only. Not for use with the public.

at the owner's death. Other assets, such as pre-tax qualified accounts, produce income in respect of a decedent, which is taxed to the beneficiary as ordinary income. A beneficiary's financial circumstances may determine which asset suits them best.

5. Annual Exclusion Gifts. Some clients may want to give assets away during their lives, perhaps wanting to help children or grandchildren while they are younger and less established. An individual can gift up to \$19,000 per year (\$38,000 for a married couple as of 2025 and 2026) to any number of individuals of their choosing without using up any of their estate-tax exemption amount. So, for example, a married couple with two married children and four total grandchildren can gift up to \$152,000 every year while preserving the full estate-tax exemption amount.

High-bracket taxpayers also can gift appreciated securities to low-bracket family members who may then sell the assets at a lower long-term capital gains rate— even as low as 0%. Note that the “kiddie tax” will impact this when gifting to minor or dependent-student adult children.

Stay Updated and Manage Your Clients' Expectations

As the estate-planning landscape continues to evolve, your clients will look to you for guidance. These flexible strategies can help a retiree manage taxes, add guaranteed income, or create a legacy, and consistently checking in with them about their goals can help you proactively adjust their plans if needed.

ACTIONS YOU CAN TAKE RIGHT NOW

- Review client goals for transferring wealth.
- As needed, update any beneficiary designations or death payout instructions.
- Determine whether assets might be repositioned to improve beneficiary outcomes.

Additional Resources and Links

[The One Big Beautiful Bill Act on Social Security Taxes: A Deduction—Not a Repeal](#)

[Inherited IRA Distributions Calculator](#)

For more information about retirement planning,
please contact our Retirement Strategies Group at
RSG@PacificLife.com or (800) 722-2333, ext. 3939.

Annuities.PacificLife.com

Pacific Life, its affiliates, their distributors and respective representatives do not provide tax, accounting or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

Pacific Life refers to Pacific Life Insurance Company and its subsidiary Pacific Life & Annuity Company. Insurance products can be issued in all states, except New York, by Pacific Life Insurance Company and in all states by Pacific Life & Annuity Company. Product/material availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues.

The home office for Pacific Life & Annuity Company is located in Phoenix, Arizona. The home office for Pacific Life Insurance Company is located in Omaha, Nebraska.

This material is intended for financial professional use only. Not for use with the public.



THE OFFICIAL SPONSOR
OF RETIREMENT*