J.P.Morgan

WEALTH MANAGEMENT

PART 1

THE GREAT WEALTH TRANSFER: The Givers

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PART 1:

THE GREAT WEALTH TRANSFER: The Givers

A monumental financial shift is quietly reshaping the U.S. economy, with $124 trillion expected to change hands by 2048 in what is known as the "Great Wealth Transfer."[1] This massive redistribution of wealth demands careful planning from those making the transfers as well as from those who are receiving them.

This article is one of a two-part series to help guide you through the Great Wealth Transfer. Part 1 is a guide for those preparing to pass their wealth to rising generations or to other chosen beneficiaries. It offers insights into estate planning and wealth transfer strategies as well as family engagement strategies to help improve the chances of long-term success, helping ensure that your legacy is preserved and positioned to flourish in the hands of future generations. Part 2 focuses on those receiving an inheritance and will help to guide them to plan for their goals and objectives as they do their best to honor the legacy left to them by their parents and grandparents.

Key drivers of the Great Wealth Transfer

The transfer is driven by the overall increase in household wealth, which remains near a record high, at $181.6 trillion, in the third quarter of 2025.[2] Despite a slight dip in Q2 2025, yearly growth continues due to rising home and stock prices.

Family wealth consultant James (Jim) Grubman estimates $1.5 trillion to $2 trillion are transferred annually, maintaining a historical average of around 1% of total wealth per year. While inherited wealth is still secondary to newly created wealth,[3] we focus here on wealth intended to be inherited.

Who are the givers and who are the receivers?

The primary givers in this wealth shift are Baby Boomers (born 1946-1964) and older generations—in 2026, those who are roughly 61 and older--who hold substantial assets and are increasingly choosing to pass on wealth during their lifetimes. Nearly $124 trillion is expected to be transferred from these groups by 2048, with the majority (nearly $105 trillion) going to heirs and a portion (nearly $18 trillion) to charity, according to Cerulli Associates.[4]

Recipients include Generation X (born 1965-1980), Millennials (1981-1996), and Generation Z (born after 1997)—again in 2026, those who are roughly 60 or younger.

[1] CFA Institute, "Dispelling myths about the 'Great Wealth Transfer." (February 2025)
[2] Board of Governors of the Federal Reserve System, "Financial Accounts of the United States." (January 2026)
[3] CFA Institute, "Dispelling myths about the 'Great Wealth Transfer." (February 2025)
[4] Cerulli Associates, "U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2024." (December 2024)

This transfer is concentrated among a small segment of the population. In the U.S., 1% of the population holds 31.7% of the assets,[5] while 20% controls nearly 80%.[6] Only one in five Americans has received an inheritance, according to the Federal Reserve's Survey of Consumer Finances.[7]

We advise approaching the implications of the Great Wealth Transfer with caution and not alarm. When people hear "next generation" they often think of people in their 20s and 30s. In reality, many of the people inheriting wealth in the Great Wealth Transfer are themselves in their 50s and 60s and are already parents or grandparents.

An unprecedented shift of asset ownership to American women is also occurring as they outlive men and become primary decision-makers. By 2030, women are estimated "to control about $34 trillion, representing about 38 percent of total U.S. assets," according to McKinsey.[8]

As with any important life event, planning is an important component to help make a wealth transfer more likely to be successful. That planning can be fraught, however, since it's frequently associated with the owner's mortality—and the owner is often the recipient's parent.

While it's important for both givers and receivers to plan for a significant wealth transfer, we're going to focus the rest of this paper on those with wealth who are planning to make a transfer, whether during their lifetime or at death. Now, let's explore key considerations for thoughtfully planning and executing your wealth transfer.

Craft a strategic estate plan

A strategic estate plan is crucial for anyone looking to pass on their wealth, regardless of age or net worth. An estate plan makes administering your affairs easier in case you become incapacitated and ensures that when you die your assets are distributed according to your wishes. A thorough plan also minimizes taxes and provides for your loved ones. Additionally, it can help prevent family disputes, especially if you've communicated your goals and desires to your family and other beneficiaries.

Basic estate planning documents include: a will, revocable ("living") trust, power of attorney, health care proxy and living will or advance directives. For many high-net worth individuals, the standard estate planning package may also include an irrevocable life insurance trust. More advanced planning can involve multiple irrevocable trusts, family investment entities (like a family LLC), and other specialized strategies. Even with a solid plan in place, it's important to regularly update your estate plan to align with current wishes.

[5] Board of Governors of the Federal Reserve System, "Financial Accounts of the United States." (January 2026)

[6] CFA Institute, "Dispelling myths about the 'Great Wealth Transfer." (February 2025)

[7] Board of Governors of the Federal Reserve System, "Survey of Consumer Finances." (April 2024)

[8] McKinsey & Company, "The new face of wealth: The rise of the female investor." (May 2025)

Develop a wealth transfer strategy

Even before thinking about your documents—the "how"—it's important to think about the "why" of planning. To that end, we believe it's important for you to spend some time thinking about what your intentions are for your wealth so you can develop a wealth transfer strategy that will ensure that your assets are passed on efficiently and in accordance with your wishes.

For example, are you primarily concerned with making sure your beneficiaries receive as much as possible, or are you concerned that a large inheritance, even in trust, could sap your beneficiaries' motivation? Are you making gifts that help to promote the beneficiaries' well-being? Do you want to minimize wealth transfer taxes at all costs or are you willing to incur some tax in order to provide yourself and your beneficiaries more simplicity and wealth (remembering that you can zero out taxes by leaving everything over the transfer tax exemption to charity)?

Ultimately, your assets can go to one of four places:

1. You can spend the money on yourself
2. You can give the money to people—family, friends, whoever you want
3. You can give the money to charity
4. You can pay taxes to the government

For example, spending more while you're alive reduces the amount available for any of the other three categories of recipients. Increasing the amount charity gets will decrease the amount your estate pays in taxes to the government—but it will also reduce the amount your individual beneficiaries receive. It's important to think about the tradeoffs among the four categories of recipients and prioritize what matters most to you.

Consider these important aspects of your plan:

- **Timing and Method of Transfer:** Decide whether to transfer assets during your lifetime or after your death. Read on to learn about the pros and cons of each option.
- **Tax Efficiency:** Implement strategies to minimize taxes on transferred wealth, such as gifting assets within annual exclusion limits, utilizing lifetime gift tax exemptions, and setting up charitable trusts. Proper planning can significantly reduce the tax burden on your estate and maximize the value passed to beneficiaries.
- **Control and Protection:** Trusts are powerful tools for wealth transfer, offering flexibility and control over how and when assets are distributed. They can be tailored to meet specific needs, such as providing for minors, supporting charitable causes, protecting assets from beneficiaries' creditors or managing assets for individuals with special needs.
- **Family Communication:** Open communication with family members about your wealth transfer strategy can prevent misunderstandings and conflicts. Discussing your intentions and the rationale behind your decisions ensures that everyone is informed—even if they aren't completely aligned.[9]

[9] J.P. Morgan Family Wealth Institute™, "The Quiet Disconnect in Family Wealth Conversations: A multigenerational research report." (June 2026)

Consider lifetime giving

Giving money away while you're alive allows you to see the effect your generosity has on your beneficiaries and allows you to share their enjoyment of your gifts. It also allows you to communicate and reinforce your intent to your beneficiaries yourself, rather than via a letter or other communication after you die. More on this in a few minutes.

Create a financial plan

Before you consider making lifetime gifts you should confirm that you have the capacity to do so. While some families may have more than they'll ever need themselves, even very wealthy people can spend enough money on themselves that they lack the capacity to give away significant wealth at the risk of having to cut back on their own lifestyle. "Enough" is different for everyone, and having a personalized plan that takes your unique circumstances into account can help you determine if you have enough to consider making lifetime gifts.

Creating a financial plan involves projecting your asset growth, expected inflows and expected or desired spending out over the course of your life—however long you think that will be.

UNIQUE ESTATE PLANNING CONSIDERATIONS FOR WOMEN AND WIDOWS

Women and widows are at the forefront of the Great Wealth Transfer, facing unique challenges and opportunities in estate planning. With longer life expectancies, potential changes in financial circumstances, and caregiving responsibilities, it's essential for women to create a wealth transfer strategy that addresses these specific needs. Key considerations include:

1. **Planning for Healthcare Costs and Retirement:** Women and widows often need to prepare for longer retirement periods. Incorporate provisions for healthcare and retirement expenses in your estate plan to safeguard your financial well-being throughout these years.

2. **Balancing Personal Responsibilities with Financial Management:** Widowed spouses often juggle caregiving responsibilities, such as taking care of aging parents and their children (the "sandwich generation"), alongside managing household finances. By considering these responsibilities in your estate plan, you can maintain financial stability.

3. **Leveraging Spousal Benefits:** Make sure your plan is optimized to provide your spouse with appropriate pension benefits. Consider your respective life expectancies as you determine when to take Social Security—while delaying Social Security beyond full retirement age doesn't increase the **spousal** benefit, it will increase your spouse's **survivor** benefits.

By addressing these considerations and collaborating with knowledgeable professionals, you can craft an estate plan that effectively manages your wealth, reduces tax liabilities, and provides meaningful support to your beneficiaries.

Lifetime giving: Why make lifetime gifts?

Lifetime giving involves transferring assets to beneficiaries while you are alive, enabling you to witness the impact of your generosity as well as explicitly communicating your expectations to your beneficiaries.[10] This strategy can effectively reduce the size of your taxable estate and provide a legacy to your beneficiaries while ensuring that your beneficiaries know how you intend them to use your gifts—do you want them to “take what they need and leave the rest” for future generations of your family? Should they use your gift primarily for education, to supplement the purchase of a primary residence, or to start a business, or could they use it for luxuries like a sports car or a first-class vacation? The more you set expectations the more likely they are to be followed.

If you have the capacity and desire to make lifetime gifts it can be advantageous to do so. In addition to allowing you to communicate your values explicitly to your beneficiaries and to set expectations about your intent for your wealth, lifetime gifts generally cost less overall than passing on assets when you die.

LIFETIME GIFTS ARE CHEAPER THAN GIFTS AT DEATH

Why? Taxes on lifetime gifts are imposed on the value of the gift and paid from other assets, whereas taxes on gifts at death are imposed on the entire estate before bequests are paid.

For example, if you want to give your children $1 million, it will cost you $1.4 million if you make a gift while you’re alive ($1 million to the kids plus $400,000 in gift tax, assuming you’ve used up your lifetime exemption and only the federal gift tax of 40% applies), but it will cost you $1,666,667 for them to get the same $1 million at your death ($1.667 million x 40% tax rate = $1 million). That’s nearly $267,000 more for your family—and nearly 60% less tax—by making a lifetime gift.

[10] J.P. Morgan Wealth Management, "The art of making your estate plan matter: Using your superpower as a ‘wise giver." (April 2026)

THE TRANSFER TAX LANDSCAPE

The federal government, and as of April 2026, 16 states and the District of Columbia, impose a tax on transfers of wealth at death. The federal government and the state of Connecticut also impose a tax on lifetime gifts. Finally, the federal government and three states impose an additional tax on transfers to anyone two or more generations younger than the giver.

The vast majority of Americans will never be subject to federal transfer taxes because of the generous exemptions and exclusions in the tax code:

- The federal transfer tax covers both gifts while you're alive and transfers at death. Each individual has a **$15 million exemption** from this tax—that is, the first $15 million (in 2026) of gifts during life are exempt from tax, and to the extent the exemption isn't used during lifetime it's available to shelter gifts at death. That amount is indexed for inflation.

- The tax rate on gifts or estates greater than the $15 million exemption is a flat 40%. The federal generation-skipping transfer (GST) tax rate is also 40%, and each individual has a $15 million exemption from that tax as well. NOTE: the GST tax is independent of the gift and estate tax, and while a full discussion is beyond the scope of this paper you can see our article here to read more about it.

- **Annual Gift Tax Exclusion:** In addition to, and independent of, the $15 million exemption, each year, individual taxpayers can give up to $19,000 to anybody free of gift tax. A couple can give up to $38,000. Using this annual exclusion reduces tax by reducing your estate—often with no or minimal gift tax return filing requirements—and provides a legacy to your chosen beneficiaries while you are still around to see them enjoy it. For instance, a couple with three children, each married, could give up to $228,000 per year to their children and spouses with no gift tax consequences. Ideally, annual exclusions gifts should be made early in the year, especially as you get older. While many parents and grandparents like to give holiday gifts in December, if you die during the year you lose the ability to give away the annual exclusion amount for that year.

- **Marital Deduction:** transfers between spouses are generally tax-free (different rules apply if one or both spouses are not U.S. citizens)

- **The Med-Ed Exclusion:** Direct payments of medical and educational costs are excluded from both gift and GST tax. Payments must be made directly to providers, such as schools or hospitals Only payments covering tuition can take advantage of this exclusion, but that tuition can be for elementary, secondary, or post-secondary education. This strategy allows substantial tuition payments, for example, for a grandchild's education at no gift or GST tax cost.

Why to give:

In addition to the tax benefits discussed above and in the sidebars, people with financial wealth give for many different reasons. What is the purpose of your wealth? It is essential to gain clarity around that central question. Even if they don't say so explicitly, parents and grandparents often want to give their families financial capital to support their human capital (the skills, passions and character of the members of the family), their social capital (community involvement, philanthropy, and reputation), and their spiritual capital (the core values of the family).[11]

Often, however, they want to give in such a way that it's their values that are perpetuated, whether via trusts or other mechanisms. Families that succeed long-term in sustaining both money and harmony, do the work to put their values in writing. Working with a specialist in family engagement and governance, you can explore drafting and documenting your family values, which can add texture and greater context to your estate planning. Documenting those values also makes it more likely that they'll be shared—or at least respected—by your beneficiaries. Your written values statements collectively, also create a framework for financial, estate and lifestyle decision making.

Many wealth transfer and estate plans go awry not because the documents are poorly drafted or the plan wasn't well thought out; they go awry because the people involved aren't bought into the plan and therefore it isn't executed in a way that leads to success. Involving the inheritors in an ongoing conversation—a series of conversations, sharing the right amount of information at the right time—can increase the odds that the plan is successful because it takes into account the values and goals of the recipients in addition to those of the givers. While a letter of wishes or other posthumous communication can tell your beneficiaries why you may have structured things a certain way, it's a one-way conversation (although it's better than nothing). Far better to encourage dialogue among family members from an early age.

Parents are often reluctant to begin conversations about financial wealth because they were raised to believe that money wasn't an appropriate topic for discussion. Younger generations crave connection and discussion to understand how their family's financial success can provide them with the freedom to live their authentic lives while at the same time honoring their family's legacy. Additionally, the different generations may have different definitions of readiness in terms of an inheritor's ability to manage an inheritance. Family communication on this topic is critical, and while a deep dive into family engagement and governance is beyond the scope of this paper, you can review our **research paper** on communication about wealth across generations and visit our Family Wealth Services website **here**.

SETTING EXPECTATIONS

One family wanted to make gifts to their children, primarily for tax reasons. With minimal discussion, the parents gave each of their three children and their spouses $38,000–$76,000 per couple—to use their annual exclusion.

The children were grateful for the gift but knew that their parents had made the transfer primarily to save on transfer taxes. Other than acknowledging that the money had gotten to their accounts, none of the children formally or informally thanked their parents—which upset mom and dad.

When they told her about this and about how upset they were, their financial advisor realized that the parents hadn't let their children know that, while they talked about tax efficiency, their higher purpose in making these gifts was because they loved their children and in-laws and wanted to see them enjoy some of their wealth. They also hadn't treated the transfers like parental gifts; they treated them like tax maneuvers.

At the advisor's urging, the parents discussed their mixed motivations with their children, who in turn realized that they had taken their parents' generosity a little bit for granted. Harmony restored, the family went on to set up an annual gifting program along with ongoing accountability.

[11] This Five Capitals framework was developed by James E. Hughes, Jr., a foremost thought leader in this field.

Ways to give:

Now that we've explored why people give we'll provide a high-level overview of ways to give. This isn't meant to be an exhaustive list of giving techniques, but a guide for overarching considerations in structuring particular gifting techniques. If you want to explore any of these or other giving methods in more detail, please work with your J.P. Morgan representative.

Will you give outright (no strings attached) or in a trust or via another technique that somehow restricts the recipient's access to the gift?

OUTRIGHT GIFTS

Outright gifts are given directly to the recipient and are the simplest gifting technique.

- **Custodial accounts** allow you to give money or securities to a minor, who can't legally open a bank or investment account and who can't legally be the direct owner of assets until he or she reaches the age of majority. An adult has to act as a custodian—someone who controls the account until the minor turns 18 (or 21, depending on your state's laws). Custodial accounts are the simplest way to give money to minors. However, the minor becomes the account owner when they turn 18 or 21—and many parents or grandparents don't want an 18- or 21-year-old to have direct access to significant amounts of money. So while custodial accounts are an easy solution if you want to make gifts to a minor, you should consider what will happen if the account is worth more than you're comfortable with when the child takes ownership.

- **Education Savings Accounts (§529 Accounts)**: §529 accounts are special accounts that have significant tax advantages if the money in them is spent on the beneficiary's education. But if the money is spent on anything other than education (with some exceptions), there can be taxes and penalties. Gifts to §529 accounts are usually made with the annual exclusion and so don't incur tax or use up gift tax exemption. Growth on assets in a §529 account is tax-free and withdrawals for qualified educational expenses are tax-free as well. However if money is withdrawn for non-educational expenses, the growth is all subject to tax at ordinary income rates plus a 10% penalty.

    » One additional benefit of §529 accounts is that they can be funded with up to five years of annual gifts at once, allowing significant contributions without gift tax consequences. For example, in 2026, a married couple can give up to $190,000 to a §529 account for each child ($19,000 annual exclusion for each spouse x 5 years). You'll have to file a gift tax return if you want to fund a 529 account with multiple years of annual exclusion gifts, and if you die within five years of making the accelerated gift a portion of that gift is included in the calculation of your total estate (although the money stays in the §529 account).

- **Minority Trusts:** These are special trusts for minors and are an alternative to a custodial account or a §529 account. You can use annual exclusions to fund these trusts. When the beneficiary turns 21, the beneficiary must have the right to withdraw all the money. If the beneficiary chooses not to withdraw, the assets can remain in the trust and be controlled by the trustee until the trust document says distributions are made to the beneficiary. While a minority trust has similar risks to a custodial account in terms of the child getting access to a significant amount of money, the minority trust offers more control to the parents or grandparents who funded the trust. If you're interested in more information please see our Wealth Focus on giving to children.

- **Other Irrevocable Trusts:** Various types of irrevocable trusts can be used for lifetime giving. Irrevocable trusts are just that: irrevocable. A gift to an irrevocable trust, once made, can't be taken back. By making a gift to an irrevocable trust you're removing those assets from your taxable estate because you no longer have control over them nor can you receive any benefit from them.

  » Assets in irrevocable trusts are held for the beneficiaries of the trust—usually children and grandchildren, and sometimes great-grandchildren and beyond. The assets are generally protected from creditors of both the grantor (you) and the beneficiaries. While there are clearly benefits to an irrevocable trust, in general if a trust avoids transfer taxes its assets will always be subject to capital gains taxes—assets in an irrevocable trust that avoids estate tax almost never qualify for a stepped-up basis on the death of the grantor or any beneficiary.

  » Some specialized trusts include **charitable trusts** that can be used to support your charitable goals; most have income or transfer tax advantages as well. **Special needs trusts** (sometimes called **supplemental needs trusts**) allow you to support beneficiaries with disabilities without affecting their eligibility for government benefits.

  » A **grantor trust** (sometimes called an "irrevocable defective grantor trust") is any irrevocable trust written so the income tax liability generated by the assets in the trust is reflected on the grantor's individual income tax return. The grantor owes the taxes—which allows the trust's assets to grow tax-free and which can be thought of as a gift-tax-free gift of the taxes to the trust or its beneficiaries. Almost any irrevocable trust can be written as a grantor trust. Once the grantor dies, the trust becomes its own taxpayer.

  » A **dynasty trust** can be used to make transfers that can last for generations of your family. Some states limit the length of time that trusts can exist for (in New York, for example, a trust generally can last for 90 to 100 years, at which point its assets have to be distributed to someone); other states allow trusts to last for several hundred years or more. The provisions of a dynasty trust can be flexible to allow it to adapt to changing laws and a growing—or shrinking—beneficiary base. Like any irrevocable trust, a dynasty trust can be a grantor trust during the grantor's lifetime.

  » A **"Crummey" trust** refers to any trust that gives its beneficiaries a right to withdraw contributions as they're made. Usually, gifts to a trust don't qualify for the annual gift-tax exclusion; the goal of the withdrawal right is to allow annual exclusion gifts to the trust to qualify for the annual exclusion. If you have a trust with Crummey powers you need to coordinate your direct gifting, gifts made to the Crummey trust, gifts to a §529 account—all gifts that could use the annual exclusion—to make sure that your gifts to or for the benefit of any one beneficiary don't exceed that limit.

  » An **irrevocable life insurance trust (ILIT)** is intended to own a life insurance policy on the grantor's life (or sometimes the life of the grantor and the grantor's spouse). The goal is to shield insurance proceeds from transfer tax—if you own an insurance policy in your own name, even if your spouse or child is the beneficiary and the death benefit is paid directly to them, the death benefit is taxable in your estate. If the policy is owned by an ILIT the proceeds are not subject to estate tax. An ILIT usually is a Crummey trust so that contributions of the premium amount to the trust qualify for the annual gift tax exclusion.

  » A **Qualified Personal Residence Trust (QPRT)** is a trust specifically designed to transfer a personal residence to children. You can create a QPRT with one home, and at most you can have two QPRTs at any one time (for a primary residence and a vacation home, for example). If your home is subject to a mortgage, or if you think you might sell your home, a QPRT might not be an appropriate strategy, and it's best to work with your estate planning lawyer to determine the best structure for your situation.

  » A **Spousal Lifetime Access Trust (SLAT)** is a trust intended to use your lifetime gift and estate tax exemption ($15 million in 2026) while at the same time retaining access to the assets through your spouse as a beneficiary. This technique only works if you stay married to your spouse and if your spouse survives you, so it's not without risk. But for couples who are over the estate tax exemption but aren't comfortable irrevocably giving away millions of dollars, it's a good way to use exemption while retaining potential access to the gifted assets.

- A **Grantor Retained Annuity Trust (GRAT)** is a way to transfer future appreciation on an asset while retaining the current value of the asset on your balance sheet. You contribute an asset to the GRAT and retain the right to receive annual payments plus an interest factor determined by the IRS for the month you fund the GRAT. Most frequently GRATs are structured so the annual payments equal the full value of what you transferred. This is referred to as a zeroed-out GRAT, since the value of the remainder interest—the amount that counts as a gift—is close to $0 at the creation of the GRAT. A GRAT is an efficient technique for someone who has used up their lifetime exemptions and still wants to transfer more money to their children. If assets in the GRAT appreciate at a rate greater than the IRS interest factor, that excess growth belongs to the GRAT beneficiaries at no or minimal gift tax cost.

- A **directed trust** refers to any trust created in a state (most commonly Delaware, South Dakota, Nevada, Wyoming or Alaska) that allows the fiduciary responsibilities of a trustee to be split among different trustees. Each trustee is only responsible—and liable—for issues in the areas it's responsible for, and is absolved of liability in areas where it doesn't have responsibility. Most commonly, grantors hire a trust company in one of those states as an administrative trustee, responsible for all the administration of the trust and for distributions, and name someone else as the investment director or trustee to manage the investments. The administrative trustee has no responsibility—and no liability—for overseeing trust investments, and the investment trustee has no responsibility or liability for anything other than the investments.

While giving assets away while you're alive can be simple, trusts and other more advanced structures can add significant complexity. In addition to having the capacity to make lifetime gifts, you should consider how you want to make them and whether the additional efficiency is worth the added complexity. Each person has a different threshold for complexity; there is no right answer to the question, but it's important to answer it for yourself.

Whatever decision you make, it's also important to communicate with your intended beneficiaries to let them know why you're making gifts. A large gift that you're making primarily for tax purposes may be perceived very differently than a gift to celebrate a life event (graduation, marriage, a milestone birthday). Similarly, if you don't tell your beneficiaries why you're making a gift and what you expect from them—whether you want them to spend the money and enjoy themselves or act as a steward to grow the value for themselves and their families—they're left to guess what you want, and their guesses will almost never be as aligned with your reasons as if they hear from you.

CONSEQUENCES OF HIDING WEALTH

The father of a family of five dressed in a blue coverall every morning and went off to work. His schedule was consistent throughout his children's childhood and as they grew up, left the house and started families of their own. They all lived a satisfied middle-class life in the suburbs relatively close to each other as they were a tight-knit family. The grandchildren were close as well, playing at each other's houses and at their grandparents'.

The grandmother died, and not long after the grandfather died as well. When the children began to gather their parents' assets they soon realized that their father, rather than being an employee of the garage he worked at every day, in fact owned an entire chain of garages and had a net worth well into the nine figures.

The children's (who were now in their 40s and 50s) first reaction was excitement—who wouldn't be excited to find out that they were inheriting millions of dollars? But once the initial excitement passed, their second and more lasting reaction was dismay—didn't their parents trust them? How could they have had all this money and not let their kids know anything about it? What was wrong with them (the children) that they never knew?

GIFTS AT DEATH

Following the framework from above, most people who are passing on assets want to maximize what their family receives and minimize what the government gets. Often these are in tension with each other: while you can reduce what the government gets by giving more money to charity, that also reduces what your family receives. It's up to you to determine your priorities; then your advisors can help you optimize your plan.

We've already discussed that making lifetime gifts can be more efficient than waiting to pass assets on at death. One benefit of waiting, however, is that the tax basis of assets transferred at death is "stepped up" (or down) to the fair market value of those assets on your date of death. This avoids paying both capital gains tax **and** gift or estate tax on the same asset. The step-up can significantly reduce the capital gains taxes for beneficiaries when they sell inherited assets.

- In community property states, community property qualifies for a 100% step-up at the death of either spouse
- In non-community property states (the majority), the step-up depends on ownership. Assets owned solely in the deceased's name generally get a 100% step-up, and assets owned jointly generally get a 50% step-up.

Many people believe that they have to make a choice between passing their assets in a trust—which provides the beneficiaries with asset protection and prevents them from exercising complete control over the assets—and in their will. But it is very common for people to create trusts ***in their will***. These are known as "testamentary trusts," and they aren't created until after someone's death.

For example, if I own all my assets in my name with no beneficiary designations they pass under my will. In my will I can say "I leave all my assets to my children in equal shares, but if any of them is younger than 40 [or whatever age you want], their assets will be held by my Trustees." The instructions to the trustees would also be included in the will. In many cases, especially if your estate is below the estate tax threshold and the process of probating the will (taking it to court to authorize your representatives to administer your estate) is relatively cheap and easy, this planning can make a lot of sense.

If your estate is taxable, or if probate is problematic in your state (such as California, where probate can cost up to 7% of the value of an estate and can take over a year), you can consider using a revocable trust. A revocable trust avoids probate, since assets are already in the trust when you pass away, and it also allows for property management if you become incapacitated. Please see our Wealth Focus on Fundamental Estate Planning Considerations for more on wills and revocable trusts.

Transfer tax exemption: To the extent you haven't used any of your lifetime exemption by making gifts while you're alive, each individual can shelter the first $15 million (in 2026) of assets transferred at death. Because it's portable, this allows a couple to transfer up to $30 million to beneficiaries at no out-of-pocket tax cost. The exemption amount is indexed each year for inflation.

TITLE YOUR ASSETS PROPERLY

The way you hold your assets can significantly affect your estate planning and your ability to achieve your goals. In many cases, the distribution of your assets at your death will be determined by how they are titled. For example, assets titled jointly or with designated beneficiaries may pass directly to the named person, while others may have to go through the probate process.

Probate is the legal process through which a court validates your Will and authorizes the person you've named to carry out your instructions and transfer assets accordingly. The probate process varies by state—some states have a time-consuming and costly process, while others are more straightforward. Generally, your estate will go through probate in the state where you reside at the time of your death, though owning real estate in your own name in multiple states can trigger multiple probate proceedings.

In addition to minimizing taxes, avoiding probate is a common goal in estate planning, especially in states where the process is burdensome. However, in states where probate is less onerous, simply paying attention to asset titling and beneficiary designations can help reduce probate exposure. This is also relevant in community property states, as the deceased spouse's share of community property does not automatically pass to the survivor.

The simplest way to avoid probate is to hold assets in "non-probate" form. Non-probate assets include:

- Assets held in joint name with rights of survivorship
- Pay on death (POD) or transfer on death (TOD) accounts
- Assets that pass by beneficiary designation, such as 401(k)s, IRAs, pensions, other retirement accounts, and life insurance proceeds
- Assets held in most trusts, including revocable trusts

By understanding how your assets are held and making strategic choices, you can streamline the transfer of your estate and better achieve your planning objectives.

We are here to guide you through this process, helping you define your estate planning goals and support the conversations that bring them to life across generations.

Creating and updating estate plans to thoughtfully transfer your wealth can be a complex endeavor. A JPMorganChase representative can help you articulate your objectives and facilitate conversations with outside advisors, including your tax and estate attorney. As you plan to transfer your wealth, engage your advisor(s) early and often, and bring beneficiaries into an ongoing dialogue so your values are communicated and their goals are appropriately considered.

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