

### DON'T WAIT—SUCCESS IS IN THE PLANNING!

APRIL 2025

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To our clients and friends:

We hope that your 2025 is off to a great start. During 2024, we identified The Blum Firm's core values – **Excellence, Relationships, Collaboration, and Integrity** – principles that embody our approach to serving our clients each and every day. We are thankful for our relationship with you and the opportunities that we have to work with you to accomplish your planning goals.

As laws governing gift and estate tax and income tax continue to be in flux, the need for thoughtful and creative tax and estate planning is greater than ever. Many may take a “wait and see” approach, but this can cause missed opportunities. The pages to follow contain tips and techniques for you to consider implementing now, especially as we anticipate changes in tax laws over the next year. We are available to discuss any questions you may have as you review this information.

Looking back over the last year, we have enjoyed seeing many of our attorneys achieve special accomplishments and recognition by their peers, each illustrating our core values in their own way.

**Marvin Blum** and **David Bakutis** were recognized in the 2025 edition of The Best Lawyers in America Award and **Austin Light** was recognized in the 2025 edition of Best Lawyers: Ones to Watch in America. **Marvin, David,** and **Austin** received these awards after a comprehensive peer-review survey of more than 3.2 million evaluations.

Texas Super Lawyers 2024 magazine named **Marvin Blum, John Hunter, Len Woodard, David Bakutis, Dyann McCully,** and **Jennifer Sibley** as 2024 Super Lawyers! **Beth Hampton** was named as 2024 Rising Star Super Lawyer.

**Marvin Blum, John Hunter, Amanda Holliday, Len Woodard, Kandice Damiano, David Bakutis, Dyann McCully, Lynn Kelly,** and **Emily Seawright** were voted as Top Attorneys by their peers, as recognized by 360 West magazine.

**Jeff Hamilton** was named a Best Lawyer in Dallas by D Magazine.

**Emily Seawright** and **Lani Sandu** were promoted to Partner, and **Son Nguyen** was promoted to Senior Associate. We are pleased to continue the tradition of establishing and maintaining long-term relationships with seasoned, professional attorneys.

We were fortunate to add several outstanding attorneys to our team. **Lynn Waller Kelly** joined our Fort Worth office. **Lynn** previously served as the Associate Judge of Tarrant County Probate Court 2, where she presided over more than 6,000 probate hearings. Her practice focuses on both contested and uncontested probate matters, including estates and guardianships, throughout North Texas. **Lynn** earned her law degree at Pepperdine University School of Law and has practiced in the Dallas-Fort Worth area since 1989.

**Anna Rose St. Martin** also joined our Fort Worth office this year. **Anna Rose** received a Bachelor of Science in Communication Studies with a McCombs Business Foundation Minor from the University of Texas, where she also earned a Certificate in Ethics and Leadership in Law, Politics, and Government as part of the Bridging Disciplines Program. **Anna Rose** went on to earn her J.D. cum laude from Texas A&M University School of Law in 2022.

**Kaitlin Goddard** joined the Fort Worth office after practicing probate law for the past seven years. **Kaitlin** earned her J.D. from the University of Houston Law Center in 2016 and has handled hundreds of estate administrations across Texas. She takes great pride in guiding families during their more difficult times.

**Josh Chandler** joined the Dallas office. **Josh** earned his J.D. from Baylor University, where he received several honors, including the Dean's Academic Excellence Full-Tuition Scholarship and placement on the Dean's List for multiple semesters. He also holds a B.B.A. in Finance and Accounting from Baylor University.

**Mac Cooper** joined the Austin office. **Mac** also earned his J.D. from Baylor University. While there, **Mac** was a member of the Baylor Transactional Law Team, which won the Best Draft for the Buyer at the 2023 UCLA Transactional Law Competition. **Mac** also earned his bachelor's degree in Comparative and World literature from Illinois at Urbana-Champaign.

We wish you a happy and healthy 2025! Please let us know how we can help you take advantage of the techniques discussed in this newsletter.

**The Blum Firm, P.C.**



## CHASING THE SUNSET: SECURING YOUR ESTATE BEFORE THE TAX EXEMPTION CHANGES

The Tax Cuts and Jobs Act of 2017 significantly increased the estate and gift tax exemption to \$10 million (\$13,990,000 in 2025, adjusted for inflation). However, **this higher exemption is set to “sunset” on January 1, 2026**, reverting to \$5 million (indexed for inflation). We consistently advise clients with potential estate tax concerns to take advantage of this elevated exemption by making lifetime gifts before the sunset to avoid losing the additional tax benefit.

With Republicans gaining control of the Presidency and Congress after the 2024 elections, it is possible that the increased exemption will be extended. This could provide more time for individuals who are on the fence about making large gifts to consider their options. However, there is no guarantee the extension will happen. Experts indicate that extending the higher exemption and other tax cuts for the usual 10-year period is estimated to add \$4.6 trillion to the deficit. This raises the possibility of a shorter extension, perhaps only 2 to 5 years, rather than a full decade, or—in the worst case—no extension at all.

To make matters worse, the specifics of any potential extension—or the lack of one—might not be clarified until late in 2025. This uncertainty could create a rush of last-minute planning as individuals scramble to take advantage of the current exemption before it reverts. The demand for estate planning services at the eleventh hour may overwhelm professionals in the field, leaving some families unable to implement their desired strategies in time and regretting the delay.

Additionally, some financial experts predict that broad deregulation sought by the Republicans—if successful—might boost the stock market, potentially pushing more individuals over the estate tax threshold, even if the exemption remains at its current level. Given these uncertainties, we strongly recommend implementing estate planning strategies now to secure the benefits of the current higher exemption and **freeze estate values before assets appreciate further**.

Waiting to act is risky; by planning now, you can avoid uncertainty, secure the benefits of the current exemption, and protect your estate from potential future challenges. If the higher exemption is extended, you will nevertheless have a well-structured plan in place that will serve you and your family well. Our firm would be happy to assist you in navigating these complexities—reach out to us today to begin planning.

## SAVE INCOME TAXES WITH THESE IDEAS!

- **Roth IRAs:** Roth IRAs are some of the best tax-saving investment vehicles around. Roth owners will not pay income tax on income earned by assets held in the Roth. What if there were a way to contribute assets directly to a Roth without recognizing income on those assets, while taking advantage of the favorable tax treatment of the Roth? For certain assets there is a way, and we can tell you how.
- **Qualified Small Business Stock (QSBS):** How would you like to sell your interest in a closely-held company and not pay any tax on the gain? You may be able to if your interest is in QSBS. If you qualify, the exclusion of tax can be the greater of ten times the Section 1202 basis in the stock, or \$10 million. Talk to us about how you may qualify or how an existing company may be restructured to make your interest qualify as QSBS.
- **Private Placement Life Insurance (PPLI):** Growth and income derived from assets held in a life insurance policy will be free from tax. Can you invest significant funds in an insurance policy in order to maximize tax-free growth? You may be able to using PPLI. Benefits of investing in PPLI include: no tax on earnings on policy assets during life; no tax on earnings paid out at death; no tax on earnings paid out after death; and no tax on amounts borrowed from the policy and spent during life.
- **Mixing Bowl Planning:** Can you use an appreciated asset to purchase PPLI and not pay capital gains tax on the sale of the asset? With proper planning, you can. Contact us for more information.
- **Installment Sales:** What about selling an asset with a significant built-in gain? Can you save on tax? No, but you can defer it—potentially for up to 25 years. You can pay interest only for up to 25 years with a balloon payment on the 25th year. In the interim, you can make that deferred tax work for you by investing it. We can show you how this will work.
- **Upstream Planning:** For property held at death, those receiving the property as inheritance will receive a step-up in basis to the fair market value of the property as of the date of death. The problem with this tax benefit is that you have to die to take advantage of it. For those with high-value, low-basis assets, they may benefit from moving those assets “upstream” to an older generation to benefit from this tax savings during their lifetime.
- **Qualified Conservation Easements:** What about claiming a charitable deduction without giving anything away? Do you own open space, a habitat, or an historic building? You can keep it, but grant a conservation restriction on that property to a charity or the government to enjoy the benefit of a charitable deduction. We can tell you how.
- **Charitable Giving:** If you are charitably inclined and wish to make a lasting commitment to charitable giving, you may want to form a private foundation or contribute to a donor advised fund. You can also defer income tax by transferring assets to a Charitable Remainder Trust. We can help you navigate these options depending on your goals, the level of control you wish to keep, how much you can deduct, regulatory complexity, and your desired level of anonymity. We can help you explore these strategies and determine which options best align with your goals.

**PLANNING WITH YOUR CHILDREN IN MIND**

A commonly used tool in a well-structured estate plan is a trust to manage your children’s inheritance. Trusts provide crucial protection for assets you intend to ultimately give to your children by controlling how and when the child receives the assets, preventing them from accessing large sums of money before they are mature enough to manage it responsibly. The trustee can distribute funds according to specific guidelines you establish - such as for education, healthcare, or upon reaching certain age milestones - **while safeguarding trust assets from creditors, future divorcing spouses of children, or potential mismanagement. A trust may also help minimize estate taxes and avoid the public probate process**, ensuring more of your assets go directly to supporting your children’s future rather than being diminished by taxes or legal fees. Ultimately, trust planning for your children gives you peace of mind knowing that your children’s financial future is protected, even after you are gone. Let us support you in setting up a trust that protects your children’s future.

**COMMON LAW MARRIAGES AND COHABITATION AGREEMENTS**

Families continue to look different today than they did in years past. Many choose to live together with their partner without marrying. Over time, substantial assets can accumulate between them. But questions may arise related to each person’s rights, obligations, and the division of their property.

A couple may be recognized as common law married under Texas law without a formal ceremony if they agree to be married, live together, and represent to the public that they are a married couple. This means that, even without a formal marriage certificate, a couple may still be subject to the same rights and obligations as a married couple. Proving the existence of a common law marriage may be difficult, but could lead to unintended consequences if they split up or when one passes away.

**To avoid confusion and protect both partners’ rights, many unmarried couples opt to enter into a cohabitation agreement.** Similar to a premarital agreement, this agreement helps to outline important aspects of their financial relationship, including property ownership and financial obligations. For couples who are not formally married, this agreement provides clarity and evidence of the partners’ intentions and reduces the potential for disputes down the road. To protect your rights and avoid future disputes, we can guide you through creating a cohabitation agreement.

**DESIGNATING A GUARDIAN**

Did you know that in Texas and some other states, **a person can designate whom they wish to serve as their guardian** (some states use the term “conservator”) if the person loses capacity in the future? Although a court must find the designee suitable, the advance designation of a person or institution to be the guardian of one’s person and/or estate is usually given great deference by a court. Alternates can also be named, in order of priority. As life expectancies increase, designating a guardian in advance can provide peace of mind that a trusted party of the person’s choosing will be given the opportunity to serve in this very important role. Contact one of our guardianship attorneys if you have questions about guardianship or the available alternatives that may avoid the need for one. We can help you navigate your options and plan with confidence.

**THE IMPORTANCE OF ANCILLARY DOCUMENTS**

Ancillary documents are a critical part of estate planning because they **ensure your wishes are followed if you are unable to make decisions for yourself during your lifetime**, especially in cases of incapacity. These documents, like powers of attorney and healthcare directives, allow you to name trusted individuals as your agents to manage your financial, medical, or legal matters. It is important to carefully choose who you name as your agent and define the scope of their powers to match your specific needs and circumstances. For example, you might want one person to handle your financial decisions and another to oversee your healthcare choices. For your Statutory Durable Power of Attorney regarding financial decisions, you can specify whether your agent has the power to make gifts on your behalf, which can be important for tax planning, maintaining family relationships, or supporting charitable causes. Additionally, you can set limits on such powers to ensure they are used in ways consistent with your intentions. Ancillary documents not only protect your interests during periods of incapacity, but by thinking through these details in advance, you can avoid unnecessary delays due to court intervention, reduce family conflicts, and make sure the right people are empowered to act in your best interest. We can help you create tailored ancillary documents to ensure your wishes are followed and your interests protected.

**ASSET PROTECTION PLANNING**

Asset protection is an often overlooked and unappreciated aspect of estate planning. That is, until you need it! We all know that high-net-worth and high-profile individuals can be targets for frivolous lawsuits. **Protecting your assets with entities or trusts (or better yet, both) will make you far less attractive prey.** Such lawsuits are still relatively rare, but sadly, divorces are not. Entities and trusts can play an important role in protecting assets in the event of divorce. The key is to put these structures into place before a problem arises. Once you have been sued, your hands are tied and it is too late to act. Waiting is risky—it is crucial to transfer assets and plan ahead before facing a lawsuit. Our firm can guide you in taking proactive steps to protect your wealth.

**NUMBERS TO KNOW IN 2025**

Annual Gift Tax Exclusion Amount	Individual \$19,000*	Married Couple \$38,000*
Combined Lifetime Federal Estate Tax and Generation-Skipping Transfer Tax Exemption Amount	Individual \$13,990,000	Married Couple \$27,980,000
*Plus unlimited amounts for education or medical expenses, paid directly to the service provider		

The comments compiled for this newsletter are general in nature and are not tailored to any particular situation. As in the case with any estate, tax or financial planning recommendation, the planning tips suggested in this summary should not be implemented without carefully considering the total economic impact and obtaining the advice of counsel. The advice of an attorney, accountant, or other financial planning professional will provide valuable aid in analyzing the suitability of the particular estate, tax, or financial planning tip for you. By providing this information, The Blum Firm, P.C. does not assume any obligation to provide notification of future changes in laws. Please contact us if the information we have provided affects you and you would like to discuss. The content of this letter was prepared by Marvin E. Blum.

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## ESTATES FOR BLENDED FAMILIES

With so many “blended” families composed of different generations of children and later-in-life marriages in which spouses come to the marriage already having raised children, **our litigation attorneys often receive calls from family members who are shocked by a deceased loved one’s estate plan** or even those who believe a will cannot be legitimate because it does not reflect the disposition the family member thought their loved one wanted at the time of his or her passing.

One practical suggestion for everyone, especially members of blended families, is to craft a letter explaining their estate plan. While not a will, this letter provides valuable context and clarification. Another idea is to actually go over your estate plan with impacted family members while you are in good health so that they will not be surprised. These simple approaches can make a big difference in maintaining family harmony after a loved one passes and can also be a practical way to preserve estate assets which may otherwise be used in litigation. Contact one of our litigation attorneys to further discuss how Texas probate law may apply to your blended family’s specific situation, in the event of death or incapacity.

For the latest in our Family Legacy Planning series, check it out at:  
<https://www.theblumfirm.com/blums-blog>

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to provide current information about developments in tax and estate planning.  
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