

## Rethinking estate planning in an era of high exemptions

With the federal estate tax exemption now at \$15 million per individual – \$30 million for married couples – the vast majority of investors no longer face a federal estate tax bill.<sup>1</sup> While estate planning remains as important as ever, today the greatest planning opportunities for most families lie not in shielding assets from estate tax, but in managing the cost basis of assets to be transferred.

### Three tax-smart strategies

#### *Leverage a step-up on appreciated assets*

When heirs receive assets (including stocks, real estate, and collectibles) through an estate, the cost basis is adjusted to fair market value at the date of death of the transferor. If assets have appreciated over that timeframe, the step-up in cost basis means heirs will generally owe no tax on any capital gains that accrued during the transferor's lifetime.

If you are planning to transfer wealth, you may want to consider keeping appreciated assets in your estate rather than gifting them during your lifetime, to take advantage of the combination of the potential for stepped-up cost basis and high estate tax exemption.

Keep in mind that if assets have depreciated, however, the cost basis may be stepped down.

### The power of the step-up in cost basis: a real estate example



Margaret purchased a rental property in 1985 for \$200,000, which has since appreciated to \$2 million.

Margaret's action	Likely tax implications
<b>1 Sells the property</b>	Margaret incurs federal and state capital gains tax on \$1.8 million, potentially reducing the total wealth she could pass to heirs by hundreds of thousands of dollars
<b>2 Gifts the property during her lifetime</b>	The cost basis remains \$200,000. Assuming the property value stays the same or rises, when the heir(s) sells the property, they will pay tax on capital gains of at least \$1.8 million
<b>3 Transfers the property as part of her estate</b>	The heir(s) receives a step-up in cost basis to the property's fair market value at Margaret's death



James Bergeron, J.D.

Advisor Education Specialist

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE | NOT A DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

### Pair cost basis planning with annual gift tax exclusion

The annual gift tax exclusion allows you to make tax-free gifts of up to \$19,000 (\$38,000 for married couples in 2026) to an unlimited number of people per year without reducing your lifetime exemption. As an added benefit, gifting assets that are likely to increase in value keeps that future growth out of your estate.

### Consider upstream giving

For investors whose parents are still living, a multi-generational approach may be an attractive strategy for passing assets with high unrealized capital gains to children. Using outright gifts and/or trusts, you first transfer assets to senior family members. When they pass away, the assets can pass to the intended heir(s) with a stepped-up cost basis. In this way, you can leverage the lifetime exemption while also capturing income tax advantages.

### Additional considerations

#### You could still owe state taxes

Even if federal estate tax is not a concern, state-level taxation may be a different story. Some states impose estate tax or inheritance taxes or both. (See table below.) The difference between the two is who bears the burden. Similar to the federal estate tax, an estate tax at the state level is levied on the transferor. The tax is paid out of the estate before any distributions are made to heirs or other beneficiaries. In contrast, the burden of an inheritance tax is borne by the beneficiary who receives the transferred assets.

Exemption thresholds for estate taxes vary widely and may be far lower than the federal amount. In some cases, the exemption threshold is less than \$2 million. The tax rates also vary, and can be as high as 20%.

States and districts that impose estate and/or inheritance tax:<sup>2</sup>

	Estate tax	Inheritance tax
Connecticut	x	
Hawaii	x	
Illinois	x	
Kentucky		x
Maine	x	
Maryland	x	x
Massachusetts	x	
Minnesota	x	
Nebraska		x
New Jersey		x
New York	x	
Oregon	x	
Pennsylvania		x
Rhode Island	x	
Vermont	x	
Washington	x	
Washington, D.C.	x	

### Ultra-wealthy individuals may still benefit from traditional estate tax planning

For individuals whose total assets exceed the \$15 million threshold, traditional estate tax planning remains essential. Consider layering a range of strategies — including charitable giving, lifetime gifting programs, select trust structures, and real estate tools like 1031 exchanges and UPREITs — to help manage tax exposure while supporting your broader wealth transfer goals.

Today's tax landscape creates new opportunities for optimization by shifting focus from avoiding estate tax to managing cost basis. The right strategies for you will depend on a number of factors, such as total asset levels, asset composition, family situation, and your specific objectives, including level of control over assets. That's why working with a financial professional is essential for building a tailored plan designed to help you reach your financial goals.

**Please consult your financial professional for more information and guidance with your specific situation. For financial professionals, please contact Nuveen at 800-221-9271 or visit us at Nuveen.com.**

#### Endnotes

- 1 Although future legislative action could potentially change the exemption, current law allows taxpayers to exclude \$15 million per individual (\$30 million per married couple) from estate taxes in 2026 and thereafter, indexed for inflation.
- 2 Source: Kiplinger, March 2026. <https://www.kiplinger.com/retirement/inheritance/601551/states-with-scary-death-taxes>

This material is for educational purposes only. There is no guarantee that utilization of any of this content will result in increased business. This material is current as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and uncertainties. Tax rates and IRS regulations are subject to change at any time, which could materially affect the information provided herein.

Although this material contains general tax information, it is not intended to provide legal or tax advice. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Nuveen is not a tax advisor. Clients should consult with their legal and tax advisors regarding their personal circumstances.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. Investment decisions should be made based on your objectives and circumstances and in consultation with your advisors.

Nuveen, LLC provides investment solutions through its investment specialists.

# nuveen

A TIAA Company

5337190 WF4330129