

# The Baratelli Field Note

*Practitioner analysis for principals, family-office executives, and their advisors*

FIELD NOTE NO. 10

AUGUST 15, 2026

baratellibrief.substack.com

*Originally published as Baratelli Brief Issue 10, May-September 2026; reclassified as a Field Note in the May 2026 editorial reset.*

*Field Note 01 made the case for offense. This one walks the three specific plays founders age 55-70 should run while the \$15M / \$30M exemption is fresh.*

## The OBBBA Estate Reset, Part Two: Three Offensive Plays Now That the Cliff Is Gone

*"For three years we hedged. We built the plans assuming the exemption would sunset. It didn't. Now we play the game we wanted to play in 2022." - an estate attorney in Charlotte*

### 1. Where we are

OBBBA made the federal estate and gift tax exemption permanent at \$15M individual / \$30M married. The 2026 sunset that everyone planned defensively for through 2023-2025 is gone. Founders who slow-walked their estate plans waiting for clarity now have it. The work is no longer hedge-the-cliff. The work is play-offense.

Three plays for the founder age 55-70 who built the company, has \$25M-\$200M of exposure, and has children or grandchildren the wealth will eventually go to. Each one fits in a single chapter of the Estate Planning Decoded guide; we walk the architecture here.

### 2. Play One - The GRAT-and-IDGT stack

The GRAT (grantor retained annuity trust) zeros out the gift-tax cost of moving an asset that is expected to appreciate. The IDGT (intentionally defective grantor trust) sells the appreciated asset back into a trust at a frozen value. Together they let a founder move 80-90% of an appreciating asset's future value out of the estate while paying minimal gift tax.

The mechanics: founder funds a GRAT with non-voting LLC units. The GRAT pays back an annuity stream that nearly zeros out the IRS gift value. The remainder (anything above the

§7520 hurdle rate) passes to the next-generation trust gift-tax-free. Then the founder sells additional units to the IDGT for an installment note, freezing the value of those units in the founder's estate at today's price.

The result, on a \$30M operating company that grows to \$80M over a decade: \$35-45M of value moves to the next generation outside the estate. If that company gets sold inside the IDGT, the trust pays no income tax (because the founder pays it as the grantor - economically, that's an additional tax-free gift to the trust).

### **3. Play Two - The dynasty trust funded with non-voting LLC units**

The dynasty trust holds wealth across multiple generations without an estate-tax event at each generation. State law matters: South Dakota, Nevada, Delaware, and Alaska all permit dynasty trusts to last functionally forever. Most states cap them at 90-110 years.

Funding: founder gifts (or sells to) the dynasty trust an interest in a holding LLC that owns the operating businesses, real estate, and investment portfolio. Non-voting units take a 25-40% discount (DLOM + DLOC). \$30M of underlying value can be funded into the trust at a \$20M reported gift value - using less of the lifetime exemption, leaving more headroom for additional moves.

The next generation is the trust beneficiary, not the trust owner. Distributions are at trustee discretion, with HEMS (health, education, maintenance, support) standards. The trust survives divorce, creditors, and lawsuits. The wealth survives multiple generations.

### **4. Play Three - The spousal lifetime access cross (SLATs)**

Each spouse creates a SLAT (spousal lifetime access trust) for the benefit of the other. Each funds it with a portion of their lifetime exemption. The result: both spouses have moved \$15M out of the estate, the trusts can distribute back to the non-grantor spouse during life, and on the first death, neither trust is in the estate.

The crucial detail: the trusts must be different enough that the IRS doesn't apply the reciprocal trust doctrine and unwind the planning. Different trustees, different beneficiary classes, different distribution standards, different funding dates. Done right, the SLAT cross moves \$30M out of the combined estate while preserving the couple's economic access to the funds during life.

### **5. The conversation founders are not having**

Most founders age 55-70 with \$25M+ of exposure have an estate plan from 2018-2021. It was built defensively against the 2026 sunset. It needs a refresh now. Three questions to ask the existing estate attorney: (1) what exemption are we currently using vs. the new \$15M/\$30M?

(2) which of these three plays would fit our family situation? (3) how soon can we execute? The right answer to question three is "in the next 90 days." Estate planning that gets postponed for a year is estate planning that gets executed under duress.

*The cliff is gone. Stop hedging. Start playing.*

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## Paired tools

**Estate Tax Sunset Headroom Calculator.** Federal \$15M permanent post-OBBBA, 22 states modeled, NY cliff trap, gross-to-taxable waterfall. Run your specific number. [tools.baratelliinstitute.com/estate-tax-headroom.html](https://tools.baratelliinstitute.com/estate-tax-headroom.html)

**Trust Type Selector.** GRAT vs IDGT vs SLAT vs ILIT vs Dynasty vs CRT/CLT. Decision tree with state overlay and downsides. [tools.baratelliinstitute.com/trust-selector.html](https://tools.baratelliinstitute.com/trust-selector.html)

**OBBBA\_Estate\_Plan\_Refresh\_Checklist.xlsx.** Three-page checklist for the conversation with the existing estate attorney. Documentary inventory, trust-type comparison, 90-day execution timeline. Print it. Bring it to the meeting.

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## What to read next

**Field Note 01** - Why family offices form at \$30M (the original).

**Estate Planning Decoded** - Chapters 4-9 walk the trust toolkit at the depth a tax attorney would recognize.

**Family Office Reference Guide** - for the family-office staff who will administer this once it's in place.

**If this Field Note was useful:** the headroom calculator and trust-type selector are free at [tools.baratelliinstitute.com](https://tools.baratelliinstitute.com). Run your number before the next conversation with your estate attorney.

Until next time -

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