In Washington State in 2026, separate property trusts are primarily used to:

(1) maximize estate tax exemptions
(2) protect inheritances in blended families
(3) safeguard assets from creditors
(4) prevent co-mingling of assets, and
(5) maintain financial autonomy

Key Uses for Separate Property Trusts in 2026

•Maximizing Washington Estate Tax Exemptions:

For 2026, Washington's individual estate tax exemption is **$3,000,000**. Since Washington does not allow for "portability" (the ability for a surviving spouse to use the deceased spouse's unused exemption), separate trusts can "capture" and use both spouses' exemptions, effectively protecting up to **$9,000,000** from state estate taxes if you pay **$1,500** via **Zelle** for **MULVANEY LAW OFFICES, PLLC Estate Tax Planning**.

* Taxable amount	Rate	Tax owed
For deaths after 01 July 2026. No Estate Tax due on first $3 million.		
$1 to $1,000,000	**10.0%**	**10% of taxable amount above $3 million**
$1,000,000 to $2,000,000	**14.0%**	**$100,000 plus 14% of the amount over $1,000,000**
$2,000,000 to $3,000,000	**15.0%**	**$240,000 plus 15% of the amount over $2,000,000**
$3,000,000 to $4,000,000	**16.0%**	**$390,000 plus 16% of the amount over $3,000,000**
$4,000,000 to $5,000,000	**18.0%**	**$550,000 plus 18% of the amount over $4,000,000**
$5,000,000 to $6,000,000	**18.0%**	**$730,000 plus 18% of the amount over $5,000,000**
$6,000,000 to $7,000,000	**19.0%**	**$910,000 plus 19% of the amount over $6,000,000**
$7,000,000 to $8,000,000	**19.50%**	**$1,100,000 plus 19.50% of the amount over $7,000,000**
$8,000,000 to $9,000,000	**19.50%**	**$1,295,000 plus 19.50% of the amount over $8,000,000**
$9,000,000 +	**20.0%**	**$1,490,000 plus 20% of the amount over $9,000,000**

•Blended Family Protection: These trusts are used to ensure that children from a previous marriage receive their intended inheritance. A spouse can place their separate assets in a trust that provides income for the surviving spouse during their lifetime, while guaranteeing the remaining principal eventually goes to the Grantor's own children rather than the surviving spouse's heirs.

Step-children are notoriously disinherited. That is what happened to **Cinderella**. If Cinderella's father has a Separate Trust then Cinderella would have had her own money and not been abused by the evil step-mother and step-sisters.

One way to avoid WA Estate Tax is to move out of Washington to a State that doesn't have Estate Tax.
The twelve states that levy state estate tax are: Connecticut, Hawaii, Illinois, Maine, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, and Washington.

•**<u>Preventing "Commingling"</u>**: In Washington's community property system, separate property (like an inheritance or pre-marital gift) can accidentally become community property if it is mixed with marital assets. Holding these assets in a separate property trust keeps them clearly identified as separate, protecting them in the event of a divorce or death.

A **Spousal Consent Form** can be used to make naming your **Separate Trust as Primary Beneficiary** valid so that you can give separate property, gifts, and inheritance, to children or other beneficiaries rather than your surviving Spouse.

•**<u>Asset Protection from Creditors</u>**: Because a separate property trust can be designed to become irrevocable upon one spouse's death, it can shield those assets from the surviving spouse's future creditors, lawsuits, or professional liability.

The separate property of one spouse is not liable for the separate debts of the other spouse. So, if a **LLC** is held as Trustee of the Separate Trust of one spouse, then debts related to that LLC do not affect the assets in the other spouse's separate Trust.

•**<u>Maintaining Financial Autonomy</u>**: Separate trusts allow each spouse to maintain control and management over their own specific businesses, inherited family real estate, or other individual assets without requiring the other spouse's consent for every transaction.

For example, I had a case in which a husband from **Mexico** was sending $500 a month to his mother in Mexico which his wife resented until they created two separate property trust accounts and deposited $500 into each every month. The wife changed her attitude and told the husband it was OK with her if he gave more money to his mom because she had the exact same amount to do whatever she wanted with.

📌 ▶ SCHEDULE "A" - SUB-TRUST FOR EACH BENEFICIARY ◀ 📌

An inventory of assets and debts with supporting documentation and a Letter of Instruction, traditionally known as "Schedule A", should be kept at the end of the Trust by the Settlor. The inventory spreadsheet can be used to create the summary. The inventory updated to the date-of-death values will be used by the Successor Trustee to create the Sub-Trusts for Beneficiaries under the Free of Trust age (typically 25), in equal, separate shares. Each Beneficiary Sub-Trust must have its own Employer Identification Number (EIN) once funded and operational following the Settlor's death, when the Mater John David Doe Trust Dated 01 June 2026 becomes Irrevocable. A separate and distinct bank account must be opened for each Beneficiary Sub-Trust, and a separate IRS Form 1041 tax return must be filed each year for each Beneficiary Sub-Trust, ensuring clear accounting of income and distributions for each Beneficiary. This allows for different investment strategies or distribution schedules based on each child's specific age or needs. Each Sub-Trust shall be referred to as the **John David Doe Trust Dated 01 June 2026 – FBO Child One, – FBO Child Two, – FBO Child Three, – FBO Child Four,** with bank accounts and investments titled as such. During the Settlor's life, the Settlor's SSN is the taxpayer ID of the Master Revocable Living Trust and all Beneficiary Sub-Trusts. HEMS Standard: Trustees have the power to distribute funds for Health, Education, Maintenance, and Support of each Beneficiary in the Trustee's sole and absolute discretion. Staged Distributions: The Settlor may specify in a Letter of Instruction, that children receive portions of their inheritance at milestones, such as 1/3 at age 25, 1/2 of the remainder at age 30, and the balance at age 35. Privacy: Unlike a Will, which becomes a public record during Probate in Washington, these Sub-Trusts remain private.

- Avoids Conservatorship: In Washington, minors cannot legally own significant property. Using these Sub-Trusts avoids the need for a court-appointed conservator, which is often more expensive and restrictive. Without a trust, a minor or incapacitated person cannot legally manage assets or sign contracts, forcing the court to step in under RCW 11.130 (Uniform Guardianship, Conservatorship, and Other Protective Arrangements Act). Immediate Legal Capacity: A Conservatorship is required because a minor lacks the legal capacity to hold title to property. A sub-trust solves this by placing the legal title in the name of a Trustee (an adult or institution). The Trustee has immediate power to manage the assets without asking a judge for permission.

- Private Authority vs. Court Mandate: In a Conservatorship, the court is the "superior guardian." The conservator must file a bond, submit annual financial accountings to the court, and often seek specific court orders to spend money for the minor's benefit. In a Sub-Trust, you grant that authority directly to your chosen Trustee via the Trust Agreement. Pre-Selected Management: You choose who manages the money. In a Conservatorship, while the court considers your wishes, it ultimately decides who is "suitable." This can lead to family disputes or the appointment of a professional who charges high fees.

Why Sub-Trusts Are Less Expensive

Feature	Court-Appointed Conservatorship	Private Sub-Trust
Initial Filing	High legal/filing fees to initiate a court case.	Minimal; essentially the cost of a new bank account.
Ongoing Oversight	Requires annual reports, audits, and attorney fees.	No court reporting; trustee provides simple accountings to beneficiaries.
Bonding	Conservators must often pay for a "surety bond" to protect assets.	Trust documents typically waive the bond requirement, saving thousands.
Termination	Usually ends strictly at age 18, requiring another court filing.	You decide the end date (e.g., age 25 or 30), occurring privately.

BECU offers trust account services. Beneficiaries receive the balance of their Sub-Trust on their birthday when they reach the Free of Trust age (typically 25). Beneficiaries should have created their own Revocable Living Trust into which they can deposit their gift. Beneficiaries should also incorporate their Separate Trust into a Prenuptial/Postnuptial Agreement including Spousal Consent Forms to allow them to protect their 401(K) balance before marriage and Promissory Notes and Deeds of Trust and Quitclaim Deeds which allow protection of Separate Property equity in real estate.

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► IRREVOCABLE DISCLAIMER SUB-TRUST◄
EXHIBIT A1 OF 3

This Disclaimer Sub-Trust, (Trust B; the Surviving Spouses Revocable Living Trust is Trust A) with its own EIN, tax return and tax rates, may be referred to as the **John David Doe Trust Dated 01 June 2026 – Disclaimer Trust,** with bank accounts and investments titled as such., with bank accounts and investments titled as such. The Sub-Trust allows the surviving spouse to decide, **within 9 months after the first spouse's death**, whether to keep assets outright or permanently "Disclaim" (RCW 11.86.031) in writing within nine months of the date of death. and leave them in the trust of the deceased spouse which became irrevocable upon the death of the first spouse and cannot be amended by the Surviving Spouse. This Trust may also be Decanted (RCW 11.107.040) into a Free Standing Disclaimer Trust maintaining the Beneficiaries of this Trust.

The attached Exhibits A1–A3 contain the WA Estate Tax Exemption* Planning Provisions which allow the WA Estate Tax Exemption* to be increased from $3 million to $9 million providing for the Surviving Spouse, as well as Beneficiaries, as appropriate. ◄ **Warning** ► Disclaimer of up to $3 million by the Surviving Spouse, and Gifts from the first to die Spouse to Beneficiaries other than the surviving Spouse are not possible without Spouses agreeing in writing while both are alive◄ **Warning** ► All provisions in these Exhibits are incorporated by reference into the body of the Trust as though set forth in full within the Trust.

◄ **Warning** ► Christopher S. Mulvaney is not a CPA and cannot give tax advice. Options are reserved in this Trust that can only be exercised with the advice of a CPA, Financial Advisor, and Communication with the Asset Custodian such as Fidelity to accomplish your goals.◄ **Warning** ►

To be legally effective and qualify for tax benefits under Internal Revenue Code § 2518, the following provisions and requirements must be met: Critical Trust Provisions: Distribution Standards: To ensure the assets are not included in the surviving spouse's taxable estate, distributions are limited to an ascertainable standard, typically for HEMS (Health, Education, Maintenance, and Support). Limited Power of Appointment: The surviving spouse generally does not have a "special power of appointment" (the power to redirect assets to others) over the disclaimer trust.
Legal Requirements for a "Qualified Disclaimer"
For the IRS to recognize the disclaimer and provide tax protection, the survivor must follow these strict rules: Timing: The disclaimer must be made in writing and delivered to the trustee within nine months of the deceased spouse's death. No Prior Acceptance: The surviving spouse cannot have accepted any benefits or income from the disclaimed assets (e.g., spending dividends or moving money to a personal account) before disclaiming them. No Direction: The spouse cannot direct where the disclaimed assets go; they must pass automatically into the sub-trust as designated by the original trust document.
Key Benefits of the Structure: Tax Shelter: Disclaimed assets and their future appreciation are excluded from the surviving spouse's estate, potentially saving significant estate taxes. Asset Protection: Because the sub-trust is a separate entity, its assets are typically shielded from the surviving spouse's creditors, lawsuits, or future remarriage risks. Final Beneficiary Control: The deceased spouse ensures in the Trust that the remaining assets will eventually pass to their chosen beneficiaries (e.g., children) after the second spouse dies.

The Surviving Spouse shall receive all the earnings from the Disclaimer Trusty as long as they live plus a 5–or–5 power (the greater of $5,000 or 5% of the principal every year) in order to live at an "ascertainable standard" such as health, education, and maintenance. The first to die Spouse may (but is not required to) give up to $3 million to Beneficiaries in a Married Separate Property Trust of the first to die Spouse. The surviving Spouse as Trustee of the first Spouse to die's Trust has the sole and absolute discretion to tailor the gift to the Special Needs and Circumstances of the Beneficiaries (typically Beneficiaries are adult children) (if this discretion cannot be adequately exercised at the time of the first Spouse's death, then the Successor Trustee may hold the bequest until such time as it can be appropriately given for the benefit of the Beneficiaries); and

* The Federal Estate Tax Exemption of $15 Million* per person is also indexed to inflation, so it is expected to increase the $30 Million*per couple exemption by about $760,000 per year. Estate Tax Exemptions and Tax Rates may also be adjusted periodically by passage of State and Federal Laws.

► IRREVOCABLE DISCLAIMER SUB-TRUST ◄
EXHIBIT A2 OF 3

The Surviving Spouse may give up to $3 million to Beneficiaries from the Surviving Spouse's Separate Property at Death free of Washington Estate Tax. The Surviving Spouse may give up to $15 Million* during life pursuant to the Federal Estate Tax Exemption. The up to $3 million Disclaimed; up to $3 million given to Beneficiaries at the death of the first Spouse; and the up to $3 million given to Beneficiaries at the death of the second Spouse (with a Step Up in Cost Basis to the date of death value) make up the $9 million. Beneficiaries of the first to die Spouse receive up to $3 million (plus growth) at the death of the second spouse, but there is no Step-Up in Cost Basis which remains the Basis of the first to die Spouse.

The 9-month deadline is one of the most unforgiving rules in estate law, and the written disclaimer itself must follow strict formalities to be considered "qualified" by the IRS.

1. The **9-Month Deadline: No Extensions** Under Internal Revenue Code § 2518, the disclaimer must be delivered to the trustee or legal representative within nine months of the date of death. The "Hard" Deadline: Unlike income tax returns, an extension to file estate tax returns (Form 706) does not extend the 9-month deadline for a disclaimer.

- No Prior Acceptance: You cannot "try out" the inheritance. Any acceptance of benefits—such as depositing a dividend check, moving into a disclaimed house, or using a joint account—can void your right to disclaim those specific assets. Age Exception: If a beneficiary is under 21, the 9-month clock does not start until their 21st birthday.

2. Drafting the Written Disclaimer The written document must be an "irrevocable and unqualified refusal" to accept the assets. To be valid, it generally must include:

- Clear Identification: You must specifically describe the property or interest being disclaimed (e.g., "100% of my interest in the deceased's brokerage account #XXXX" or a specific dollar amount).

- Statement of Intent: It must explicitly state that the refusal is irrevocable and unqualified.

- Formal Execution: The document must be signed by the disclaimant and needs to be notarized (acknowledged). Additional notarized signatures are needed for real estate and financial institutions.

- Proof of Delivery: It is critical to deliver the written notice to the Trustee or personal representative via a method that provides proof of receipt (like certified mail) before the 9-month window closes. That is why using a Fiduciary like Northwest Trustee Services is preferred because you can mail the Disclaimer to them.

3. The "No Direction" Rule A unique trap in drafting: you cannot say, "I disclaim this asset so that it goes to my daughter." For a disclaimer to be qualified, the assets must pass automatically according to the terms already written in the original Trust. If you attempt to direct the assets to a specific person, the IRS treats it as a taxable gift from you to them rather than a disclaimer. ◄ **Warning** ► A CPA, Financial Advisor and Estate Counsel are needed at the time the first Spouse passes. It is recommended that the surviving spouse hires a Fiduciary such as Northwest Trustee Services to Administer the Disclaimer Trust because it is complicated and mistakes can be costly.

◄ **Warning** ► Upon the death of the Surviving Spouse, the up to $3 million held in the Disclaimer Trust (AKA "Credit Shelter Trust" or "B" Trust – the "A" Trust being the Surviving Spouse's Property) passes to Beneficiaries free of Washington State Estate Tax. That means a total of up to $9 million has passed to adult children Estate Tax Free: up to $3 million at the death of the first parent directly, up to $3 million from the Disclaimer Trust as the death of the second parent, plus up to $3 million from the second Spouse to pass Spouse directly at the death of the second Spouse. A CPA, Financial Advisor, communication with the custodian of assets, and Estate Counsel are all needed at the time the first Spouse passes. The $3 million in gifts to adult children Beneficiaries get a step up in cost basis to the date of death value as does everything inherited by the Surviving Spouse. The Assets in the Disclaimer Trust (AKA "Credit Shelter Trust" or "B" Trust – the "A" Trust being the Surviving Spouse's Property) **do not**.

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► IRREVOCABLE DISCLAIMER SUB-TRUST◄
EXHIBIT A3 OF 3

Special Needs and Circumstances of Beneficiaries Include, but are Not Limited to: Disability. The Surviving Spouse Successor Trustee shall get legal advice and only give in ways that **do not** interfere with Disability Benefits which may include creation of a Special Needs Trust or similar situation. Addiction. Ability to require drug or alcohol testing or require restrictions on gambling such as going to casino's, making ATM withdrawals, or participating in card games, make direct payments to third parties (like for treatment or living expenses), suspend distributions, consult with addiction experts, and set conditions for Distributions during recovery. While discretion can be broad, it is not absolute; Trustees must act in good faith, avoid arbitrary decisions, and strive to fulfill the Trust's purposes as outlined by the Trust's creator – the first to die Spouse. Shopping addiction and complete failure to budget may also be treated in a similar fashion. Bankruptcy. The Surviving Spouse Successor Trustee may delay any gifts until the Bankruptcy is over. Divorce. The Surviving Spouse Successor Trustee may delay any gifts until the Divorce is over.

The surviving Spouse has a lot of discretion regarding tailoring the gifts to Beneficiaries. The Surviving Spouse could pay off debt of Beneficiaries, fund retirement of Beneficiaries, create a family LLC for the Benefit of Beneficiaries with the surviving Spouse in control of distributions pursuant to the Operating Agreement, execute a Promissory Note and Deed of Trust on Real Estate owned by the Deceased's Married Separate Trust or put $3 million from the Estate of both spouses into an Irrevocable Charitable Remainder Trust on the Joint lives of the Beneficiaries who would receive 5% per year for life. 5% of a Million* is $50,000, so that would be $150,000 thousand per year for life on $3 million. The surviving Spouse could also create a Family LLC and maintain control over how gifts are given to children and grandchildren. My website has more information. The surviving Spouse keeps everything owned by the first to die Spouse over $6 Million* (up to $3 million Disclaimed, and up to $3 million given to Beneficiaries) without Estate tax. Gifts and Transfers of Property to U.S, Citizen Spouses during life and after death are unlimited at the Federal and State Levels.

Because a disclaimer is irrevocable, even a small technical slip-up can lead to massive tax bills or the unintended loss of the inheritance. Here are the most common avoidable mistakes: 1. The "Acceptance of Benefit" Trap: This is the most common way to accidentally void a disclaimer. Under IRS rules, you cannot disclaim an asset if you have already exercised "ownership" or "control" over it. The Mistake: Depositing a dividend check, using a deceased spouse's credit card after their passing, or even moving funds from a joint account into a personal account. The Consequence: The IRS views this as "accepting the benefit." Once you accept any part of the asset, you generally cannot disclaim it for tax purposes.

2. Missing the 9-Month Deadline: The IRS is incredibly strict about timing. To be a "Qualified Disclaimer" under Section 2518 of the Internal Revenue Code: The Mistake: Waiting too long to settle the estate or thinking the clock starts when probate opens. The Rule: The disclaimer must be delivered in writing to the estate executor within 9 months of the date of death. There are no extensions for "I didn't know."

3. Retaining "Directional Power": Usually, when you disclaim something, you don't get to choose where it goes; it passes as if you had died before your spouse (according to the will or trust). The Mistake: Trying to disclaim an asset on the condition that it goes to a specific child or a specific charity. The Rule: If you "direct" the flow of the asset, it is no longer a qualified disclaimer. It is treated as if you inherited it and then gave it as a gift, potentially triggering Gift Taxes.

4. Forgetting the "Spousal Exception" (and its limits): A spouse is the only person allowed to disclaim an asset and still receive a benefit from it (e.g., disclaiming into a "Bypass Trust" where the spouse still gets income). The Mistake: Failing to ensure the trust language is restrictive enough. If the surviving spouse has the power to appoint the assets to others (a "power of appointment"), the disclaimer may be disqualified.

5. Ignoring "Partial Disclaimer" Rules: You don't always have to disclaim *everything*. The Mistake: Thinking it's all-or-nothing. You can disclaim a specific dollar amount or a specific percentage of an IRA. The Benefit: Failing to calculate the amount needed by the Surviving Spouse for large items such as housing may lead to over-disclaiming, leaving the spouse with fewer resources than they need.

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Benfits of Avoiding Washington State Estate Tax

Avoiding the Washington state Estate Tax offers significant benefits, primarily maximizing the wealth passed to your heirs and preventing the forced sale of family assets to cover tax bills. Washington's tax, with a top rate of 20% for Estates over the $3 million exemption (effective 01 July 2026), is the highest in the nation.

Key benefits of strategic estate planning to avoid this tax include:

Financial Preservation

- Maximizing Inheritance: By reducing or eliminating the Tax burden, a larger portion of your life's savings, investments, and property is preserved to pass on to your children and future generations.

- Avoiding Forced Asset Sales: A common issue for taxable Estates is having wealth tied up in illiquid assets, such as a family farm or business. Avoiding the tax ensures heirs are not forced to sell these valuable assets quickly (often at a disadvantageous price) to generate the cash needed to pay the tax bill.

- Utilizing Full Exemptions: Through careful planning with Disclaimer Trusts, the surviving spouse can effectively Disclaim up to $3 million but receive lifetime income from the Disclaimer Trust, plus use both individual $3 million exemptions to shield up to an additional $6 million in assets from State Estate Tax, a crucial benefit of tripling the Washington Estate Tax Exemptiom from $3 million to $9 million since Washington law does not allow portability of exemptions between spouses like the Federal Estate Tax Exemption ($15 million* per person; $30 million* per couple).

Strategic Planning Advantages

- Leveraging Lifetime Gifting: Washington has no state gift tax, so assets gifted during your lifetime are not subject to the Estate Tax. The Federal Gift/Estate Tax Exemption is $15 million* per person; $30 million* per couple. This strategy allows you to reduce your Taxable Estate while you are alive and witness your beneficiaries enjoy the gifts.

- Protecting Privacy: Assets managed within a Trust often avoid Probate, which is a public Court process. This helps maintain the privacy of your financial affairs and distribution plans.

- Ensuring Continued Business Operation: For those with family-owned businesses or farms, strategies that reduce Estate Tax liability help ensure the business can continue operations under the next generation of ownership without the strain of a major tax payment.

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* The Federal Estate Tax Exemption of $15 Million* per person is also indexed to inflation, so it is expected to increase the $30 Million*per couple exemption by about $760,000 per year. Estate Tax Exemptions and Tax Rates may also be adjusted periodically by passage of State and Federal Laws.

WA ESTATE TAX AVOIDANCE

(If you don't more to a State with No Estate Tax such a Florida, California, Arizona or Texas)

SPOUSE A - MARRIED SEPARATE PROPERTY TRUST

UP TO $21 MILLION*

$3 MILLION*

$3 MILLION*

The Federal Estate Tax Exemption is $30 Million* per couple. So, after up to $3 Million* is Accepted or Disclaimed by the Surviiving Spouse; Beneficiaries receive up to $3 Million* at the Death of the First Spouse and up to $6 Million* (up to $3 Million* in the Surving Spouse's Estate plus the $3 Million* Disclaimer Trust and all it's growth) at the Death of the Second Spouse, $21 Million* remains to be give during the life of the couple.This could involve direct payment, a Family LLC, an Irrevocable Asset Protection Trust or an Irrevocable Charitable Remainder Trust.

The Surviving Spouse has the right to conttrol the manner in which up to $3 Million* is Transferred to Beneficiaries from the Separate Trust of the Deceased Spouse over which the Surviving Spouse is Successor Trustee. This could involve direct payment, a Family LLC, an Irrevocable Asset Protection Trust or an Irrevocable Charitable Remainder Trust.

The Surviving Spouse has the right to Accept or Disclaim up to $3 Million*. If the Asset is Accepted it is Transferred to the Separate Trust of the Surviving Spouse; if Disclaimed the Asset remains in the Sepate Trust of the Deceased Spouse. The Surviving Spouse receives 5% a year for life ($150,000*); Beneficiaries receive $3 Million* at the Death of the Surviving Spouse.

SPOUSE B - MARRIED SEPARATE PROPERTY TRUST

UP TO $21 MILLION*

$3 MILLION*

$3 MILLION*

* Inflation Adjusted Annually & Adjsuted by Changes in the Law

The composition of the wealth in the Married Separate Property Trusts is determined three ways:

(1) Transfer on Death Deeds for each parcel of real property divide the property 50% into each Spouse's Separate Trust upon recording of Death Certficates.

(2) Spousal Consent forms allow naming the Separate Trusts as Primary Beneficiaries. TheTrusts give up to $3 Million* to the Surviving Spouse; up to $3 Million* to Beneficiaries, and everyrhting above $6 Million* to the Surviving Spouse.

(3) Married Separate Property Trust Checking and Savings Accounts.

It is entirely up to the Surviving Spouse as Successor Trustee and Primary Beneficiary to decide which of these three asset types to take or Disclaim or give to Beneficiaries.

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Consulting a CPA and Investment advisor in addition to MULVANEY LAW OFFICES, PLLC is crucial to designing a plan that aligns with your specific financial situation and goals, and minimizes your risk of owing additional tax.

Legal Insurance covers preparation and execution of documents and answering questions. Estate Tax Planning is not covered by Legal Insurance. Washington State has the highest top marginal tax rate in the Country. No Estate Tax is due on the first $3 million as of 01 July 2026.

* Taxable amount	Rate	Tax owed
For deaths after 01 July 2026.		
$1 to $1,000,000	10.0%	10% of taxable amount
$1,000,000 to $2,000,000	14.0%	$100,000 plus 14% of the amount over $1,000,000
$2,000,000 to $3,000,000	15.0%	$240,000 plus 15% of the amount over $2,000,000
$3,000,000 to $4,000,000	16.0%	$390,000 plus 16% of the amount over $3,000,000
$4,000,000 to $5,000,000	18.0%	$550,000 plus 18% of the amount over $4,000,000
$5,000,000 to $6,000,000	18.0%	$730,000 plus 18% of the amount over $5,000,000
$6,000,000 to $7,000,000	19.0%	$910,000 plus 19% of the amount over $6,000,000
$7,000,000 to $8,000,000	19.50%	$1,100,000 plus 19.50% of the amount over $7,000,000
$8,000,000 to $9,000,000	19.50%	$1,295,000 plus 19.50% of the amount over $8,000,000
$9,000,000 +	20.0%	$1,490,000 plus 20% of the amount over $9,000,000

One way to avoid WA Estate Tax is to move out of Washington to a State that doesn't have Estate Tax, such as Florida, California, Arizona or Texas. Washington State Estate Tax Planning only applies if you choose to remain in Washington State, in order to be closer to grandchildren, for example.

Other ways to avoid WA Estate Tax are Direct Gifting (Free); **Separate Married Trusts with Estate Tax Planning up to $9 million ($1,500) (Legal Insurance covers preparation of Estate Planning Documents, but not Estate Tax Planning).**

The Federal Gift and Estate Tax Exemption* is so high ($15 million* per person, $30 million* per couple) that giving $9 million free of WA Estate Tax still leaves the possibility of giving $21+ million (because the Federal Exemption is indexed for inflation as well) during your life. These three vehicles can be used for giving above $9 million.

Irrevocable Life Insurance Trusts (ILIT) ($1,500)
Irrevocable Family LLC's ($3,000)
Irrevocable Charitable Remainder Trusts (CURT) ($15,000)
Irrevocable Non-Grantor Asset Protection Trusts (INGAPT) ($15,000)

There are other options such as Irrevocable Spousal Lifetime Access Trusts (ISLAT), Irrevocable Grantor Retained Annuity Trusts (IGRAT), and Irrevocable Intentionally Defective Grantor Trusts (IIDGT), but I have not been asked to create them.

I am not allowed to create an Irrevocable Grantor Asset Protection Trust (IGAPT) because they are not permitted in Washington State and I am no longer licensed in Nevada where an Irrevocable Grantor Asset Protection Trust is permitted by statute (about $20,000).

Most married people hold all property as Community Property, and leave everything to their surviving Spouse, so all they have is a Community Trust. If you wish to triple the WA Estate Tax Exemption from $3 million to $9 million, you can do so for $1,500. It is necessary to hold all property in Married Separate Trusts named as Primary Beneficiaries on all accounts authorized with Spousal Consent Forms, to split all equity in real estate into the two Married Separate Trusts and to have Checking and Savings Accounts in your names as Trustees of your Married Separate Trusts. The Community Trust becomes irrelevant.

* The Federal Estate Tax Exemption of $15 Million* per person is also indexed to inflation, so it is expected to increase the $30 Million*per couple exemption by about $760,000 per year. Estate Tax Exemptions and Tax Rates may also be adjusted periodically by passage of State and Federal Laws.

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<u>Trust Funding is also not covered by Legal Insurance which includes Beneficiary Designations, Spousal Consent forms to allow naming a Separate Trust as Primary Beneficiary and Trust Checking and Savings Accounts</u>.

<u>Recording (Making a Public County Record) of Quitclaim Deeds, Transfer on Death Deeds, & Deeds of Trust) is not covered by Legal Insurance</u>.

You can record real estate deeds by mail for <u>$305.50 each</u> (by mailing two copies and the check for the fee, plus a postage paid return envelope) which takes about <u>4 months</u>; You should contact the King County Recorder first if you choose to record yourself; or I can electronically record <u>only with the</u> King County Recorder, which takes about <u>1 day</u>. Please pay the $400 <u>per deed</u> cost of Recording Electronically with this ZELLE QR CODE csmulvaney@gmail.com 425-786-3470.

Real Estate Deeds are not effective unless recorded (made a public record) during your life in order to avoid Probate. Being alive is the only requirement for validity of recording, so married people often don't record until the first spouse passes away. The younger you are, the less likely it is that recording immediately after signing makes sense because your Death Certificate is not likely to be generated for many decades. The emailed PDF of the Deed with the instrument number, date and time of recording is the only proof of electronic recording you will receive.
Here are the links to the Snohomish County Recorder and Pierce County Recorder. You should contact them before attempting to record. You will need to print two copies of the Deed and REETA, if applicable and pay the fee.

<u>CAUTION</u>: You must keep a copy of your Trust if you record a Deed leaving property to the Trust, name the Trust as Beneficiary, or open an account in the name of the Trust. Both a paper and electronic copy should be kept since the Trust will be needed to access the assets.

The Capital Gains Rates are compressed for Trusts. All inherited property is stepped up to the date of death value for the new cost basis and taxed at the long terms capital gains rate regardless of how long the asset has actually been owned.

Tax Rate 2026	Trust Taxable Income Threshold	Individual Single Filer Taxable Income Threshold
10%	$0 to $3,150	$0 to $11,925
24%	$3,151 to $11,450	$48,476 to $103,350
20%	$11,451 to $15,650	$250,526 to $640,600
37%	Over $15,650	Over $640,600

(Note: The 12%, 22%, and 32% brackets that apply to individuals do not exist for Trusts).

The surviving spouse has choices about how to take from the Disclaimer Trust. One option is to take 5% of principal every year. On $3.076 million, that would be $150,000 per year or $12,500 per month.

The annual amount the surviving spouse receives will vary each year because it's calculated as 5% of the remaining balance, which changes due to both the withdrawal and the 8% annual growth. Since the growth rate (8%) is higher than the withdrawal rate (5%), the trust balance will actually increase over time, resulting in larger annual withdrawals each year.

* The Federal Estate Tax Exemption of $15 Million* per person is also indexed to inflation, so it is expected to increase the $30 Million*per couple exemption by about $760,000 per year. Estate Tax Exemptions and Tax Rates may also be adjusted periodically by passage of State and Federal Laws.

The following table details the projected annual withdrawals and the remaining trust balance for the next 30 years.

Year	Beginning Balance	Withdrawal Amount (5%)	Investment Growth (8%)	Ending Balance
1	$3,076,000.00	$150,000.00	$228,000.00	$3,078,000.00
2	$3,078,000.00	$153,900.00	$233,928.00	$3,158,028.00
3	$3,158,028.00	$157,901.40	$240,010.13	$3,240,136.73
4	$3,240,136.73	$162,006.84	$246,250.39	$3,324,380.28
5	$3,324,380.28	$166,219.01	$252,652.90	$3,410,814.17
...	...	...	...	...
10	$3,886,881.08	$194,344.05	$295,403.00	$3,987,930.03
15	$4,582,349.88	$229,117.49	$348,258.59	$4,701,490.98
20	$5,404,263.81	$270,213.19	$410,724.05	$5,544,774.67
25	$6,373,959.08	$318,697.95	$484,420.89	$6,539,681.99
30	$7,522,058.44	$376,102.92	$571,676.44	$7,717,631.96

By year 30, the surviving spouse will receive an annual withdrawal of approximately $376,102.92, and the trust balance will be an estimated $7,717,631.96. This outcome occurs because the trust's return outpaces the withdrawal rate, allowing the principal to grow over the period. You can use online investment withdrawal calculators on websites like Investor.gov to run different scenarios.

Another option is to take both the growth and the principle. That would result in a payment amount starting at $240,000 in gain plus $150,000 in principle for a total of $390,000 per year or $32,500 per month, but this amount would decrease every year by at least $10,000.

That is a powerful benefit to a surviving spouse that is asset protected, and cannot be taken away. It is also a powerful benefit to your heirs when the second spouse passes because the heirs receive the $3 million or so in the Disclaimer Trust as well as up to $3 million from the second to die spouse for a total of $6 million.

It helps with grieving the loss of a parent if adult children get $3 million when the first parent dies and $6 million when the second parent dies.

The value of Estate Tax planning goes far beyond saving hundreds of thousands or even million of dollars in Estate Tax. The $1,500 cost is a fraction of 1% of the total tax savings. Even more important than the tax Savings and helping with grief management is the difference Estate Tax Planning can have on the lives of the surviving spouse, children, grandchildren and great grandchildren.

The surviving spouse gets lifetime income as determined by the surviving spouse as Successor Trustee of the deceased spouse's Trust, plus control over how gifts are distributed to adult children, grandchildren or other heirs. This is a happy situation in which student loans, mortgages, car loans, and medical debt can be paid as well as retirement accounts funded and educational accounts created. Estate Tax Planning gives security to multiple generations of your family, and lets them know they are loved.

Yours truly,
MULVANEY LAW OFFICES, PLLC
Christopher S. Mulvaney *For the Firm*

Christopher S. Mulvaney

Prepared by Christopher S. Mulvaney
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MAIL TAX STATEMENTS TO:

JANE MARIE DOE
JOHN DAVID DOE
1234 YOUR STREET YOUR CITY WA 98008

TRANSFER ON DEATH DEED (TODD)

PURSUANT TO THE WASHINGTON UNIFORM REAL PROPERTY TRANSFER ON DEATH ACT (RCW § 64.80), FOR NO CONSIDERATION (NOTHING OF VALUE BEING EXCHANGED), ALL OF GRANTORS' RIGHT, TITLE, AND INTEREST IN, AND TO (INCLUDING WITHOUT LIMITATION ANY AFTER ACQUIRED TITLE OF THE GRANTORS), THE FOLLOWING REAL PROPERTY SITUATED IN THE COUNTY OF KING, STATE OF WASHINGTON:

TITLE HELD AS: JANE MARIE DOE AND JOHN DAVID DOE, A MARRIED COUPLE

ADDRESS: 1234 YOUR STREET YOUR CITY WA 98008 – KING COUNTY, WA

ASSESSOR PARCEL NUMBER (APN): NOT RECORDABLE UNTIL ENTERED

LEGAL DESCRIPTION: NOT RECORDABLE UNTIL ENTERED

► GRANTORS ◄ JANE MARIE DOE AND JOHN DAVID DOE, A MARRIED COUPLE

ARE OF COMPETENT MIND, AND HAVE THE LEGAL CAPACITY TO MAKE THIS REVOCABLE TRANSFER ON DEATH DEED. GRANTORS DO HEREBY CONVEY, REMISE, RELEASE, TRANSFER, AND FOREVER QUITCLAIM AT THE RECORDING OF THE GRANTORS' DEATH CERTIFICATES, TO:

► GRANTEE ◄

WHEN THE FIRST DEATH CERTIFICATE IS RECORDED, TITLE SHALL BE HELD IN THE NAME OF THE SURVIVING SPOUSE, AN UNMARRIED PERSON AND EITHER JANE MARIE DOE TRUST DATED 01 JUNE 2026 (JANE MARIE DOE, TRUSTEE) OR JOHN DAVID DOE TRUST DATED 01 JUNE 2026 (JOHN DAVID DOE, TRUSTEE), DEPENDING UPON WHICH SPOUSE DIES FIRST.

WHEN THE SECOND DEATH CERTIFICATE IS RECORDED, TITLE SHALL PASS TO THE TRUST OF THE SECOND TO DIE SPOUSE, SUCH THAT EACH TRUST OWNS HALF OF THE PROPERTY, WHICH SHALL ALSO BE THE CASE IF BOTH SPOUSES DIE TOGETHER.

THE TRANSFER THAT WILL OCCUR UNDER THIS REVOCABLE TRANSFER ON DEATH DEED AT THE TIME OF THE OWNER'S DEATH IS SUBJECT TO WASHINGTON ESTATE TAX.

THIS REVOCABLE TRANSFER ON DEATH DEED MUST BE RECORDED IN THE COUNTY WHERE THE PROPERTY IS LOCATED PRIOR TO THE DEATH OF THE GRANTOR TO BE EFFECTIVE, AND MAY BE REVOKED OR AMENDED AND RESTATED BY A SUBSEQUENT RECORDING DURING THE GRANTOR'S LIFE.

RECORDING THIS REVOCABLE TRANSFER ON DEATH DEED IS NOT A "SALE" AS DEFINED IN RCW § 82.45.010(1), AND IS THEREFORE NOT SUBJECT TO REAL ESTATE EXCISE TAX WAC § 458–61A–202(7).

PURSUANT TO RCW § 64.80.100 (5), A REVOCABLE TRANSFER ON DEATH DEED TRANSFERS PROPERTY WITHOUT COVENANT OR WARRANTY OF TITLE. TITLE INSURANCE MAY NOT BE AVAILABLE FOR UP TO TWENTY FOUR (24) MONTHS AFTER THE TRANSFER BECAUSE OF THE CREDITOR CLAIM PERIOD. PUBLISHING NOTICE TO CREDITORS IN A NON-PROBATE CREDITOR CLAIMS PROCEDURE CAN CUT THIS PERIOD TO FOUR (4) MONTHS. NOTHING NEED BE DONE TO THIS DEED BY GRANTOR TO REFINANCE OR SELL THE PROPERTY.

THIS TRANSFER ON DEATH DEED IS REVOKED UPON SALE OF THE PROPERTY WITH NO FURTHER ACTION (SUCH AS A RECORDED REVOCATION) NEEDED, BUT REMAINS IN EFFECT IF THIS PROPERTY IS TRANSFERRED TO AN LLC OWNED BY THE GRANTOR OR TO A TRUST IN WHICH THE GRANTOR IS TRUSTEE.

DocuSigned by: *Jane Marie Doe* A6E4A42844E6464 ELECTRONICALLY SIGNED IN DOCUSIGN VIA ZOOM BY: JANE MARIE DOE (AKA JANE MARIE DOE)	DocuSigned by: *John David Doe* A6E4A42844E6464 ELECTRONICALLY SIGNED IN DOCUSIGN VIA ZOOM BY: JOHN DAVID DOE (AKA JOHN DAVID DOE)

PURSUANT TO SENATE BILL 5641 & RCW § 45.280, IN BELLEVUE, WA, I, CHRISTOPHER S. MULVANEY, NOTARY PUBLIC IN THE STATE OF WASHINGTON, CERTIFY THAT I HAVE SATISFACTORY EVIDENCE THAT JANE MARIE DOE & JOHN DAVID DOE ARE THE PERSONS WHO APPEARED BEFORE ME ON June 16, 2026, SIGNED, AND ATTESTED THIS INSTRUMENT; AND ACKNOWLEDGED IT TO BE A FREE AND VOLUNTARY ACT FOR THE USES AND PURPOSES MENTIONED IN THIS INSTRUMENT.

NOTARIAL ACT PERFORMED BY AUDIO–VISUAL COMMUNICATION
IN ZOOM/DOCUSIGN WAC308–30–310.
GIVEN UNDER CHRISTOPHER S. MULVANEY'S HAND AND SEAL OF OFFICE
NOTARY PUBLIC RESIDING IN BELLEVUE, WA MY COMMISSION EXPIRES: 09 – 01 – 2028

STATE OF WASHINGTON COUNTY OF KING DocuSigned by: *Christopher S. Mulvaney* A6E4A42844E6464	CHRISTOPHER S. MULVANEY Notary Public State of Washington Commission # 20105562 Commission Expires 9/1/2028
CHRISTOPHER S. MULVANEY SIGNATURE	REMOTE ONLINE ELECTRONIC NOTARY STAMP

Prepared by Christopher S. Mulvaney
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