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Integration of Income and Estate Tax Planning

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Preservation and transfer of wealth to future generations is one of the central financial goals for most high-net-worth families. In this study, using a stylized theoretical model and Monte-Carlo simulations, we quantify the benefits of income and estate tax planning for growing wealth over generations. We show that a family that invests with income and estate tax efficiency in mind can achieve substantially higher wealth levels than a family oblivious to taxes. More importantly, we show that there is a significant value in integrating income tax efficiency and estate tax planning: Becoming efficient with respect to one tax should make the family even more eager to become efficient with respect to the other.

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