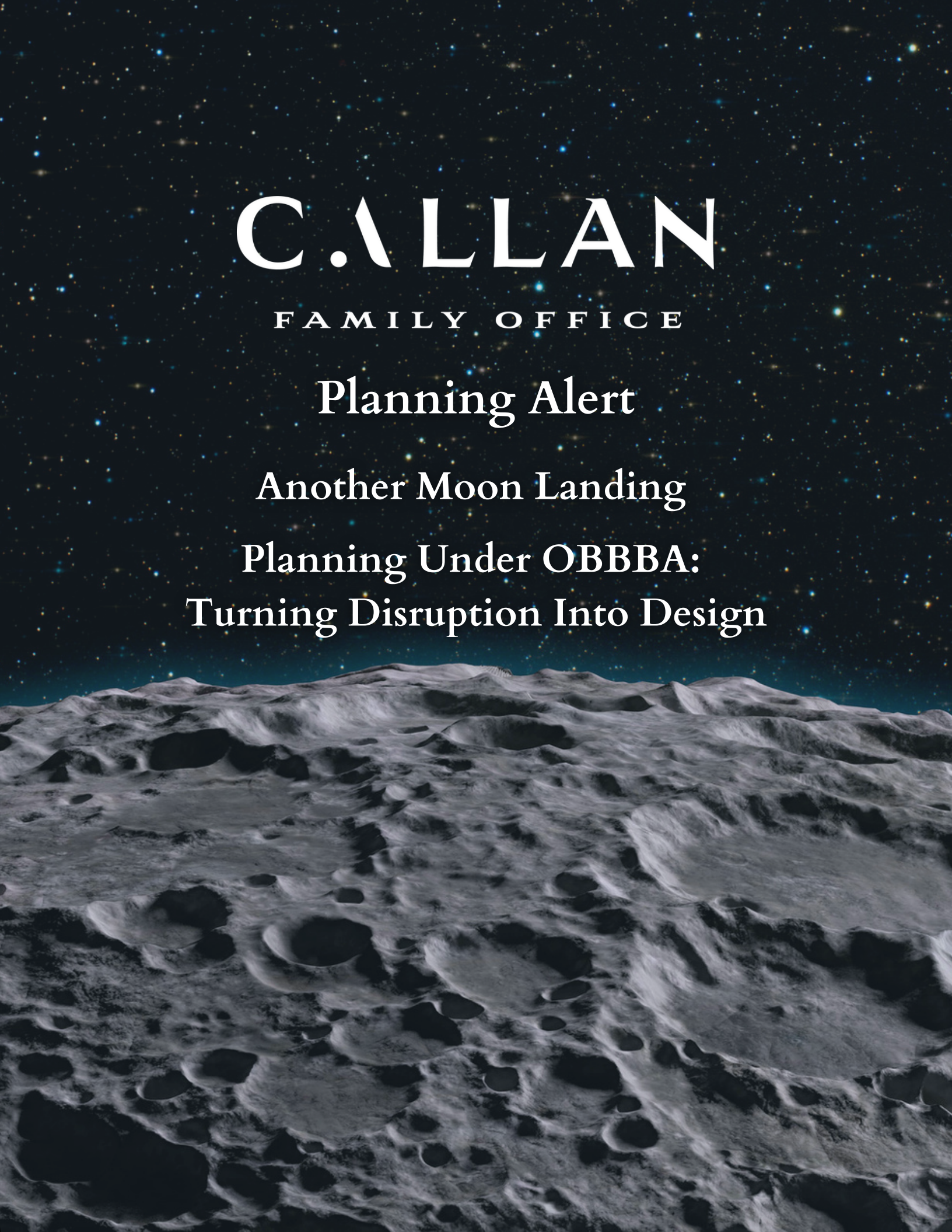




CALLAN

FAMILY OFFICE

Planning Alert

Another Moon Landing

Planning Under OBBBA:
Turning Disruption Into Design

Planning Alert Update

Planning Under OBBBA: Turning Disruption Into Design

On April 13, 1970, what had begun as a routine space mission suddenly became a fight for survival. Apollo 13 was more than halfway to the Moon when an oxygen tank exploded, crippling the spacecraft. Billions of dollars in government investment, years of experience, and the most advanced technology of the time could not prevent the crisis. The turning point came not from hardware or budgets but from discipline. As the situation deteriorated, Flight Director Gene Kranz gave the order that became legend: “Let’s work the problem, people. Let’s not make things worse by guessing.” The astronauts survived not through luck but through focus, improvisation, and steady execution under pressure.

Fifty-five years later, Firefly Aerospace echoed that lesson on a smaller stage. Earlier this year, the private company became the first to land a commercially built robotic spacecraft on the Moon. There were no parades, no breaking news alerts. Yet Firefly Aerospace’s success showed that persistence and design, not headlines, drive the most meaningful breakthroughs. Even without NASA’s vast resources, a small team worked the problem until they achieved what once seemed impossible.

Wealth planning is not life-or-death, but the parallels are striking. Laws change, markets swing, exemptions rise and fall. Families often feel the ground shift beneath them. The temptation is to freeze or wait for clarity. But history shows the most enduring results come not from predicting the future, but from working the problem in front of you. The One Big Beautiful Bill Act of 2025 has created an environment of both permanence and uncertainty. The strategies that endure will be those designed with focus, repetition, and professional execution.

The Repeater

Sam Walton was a merchant before he was a mogul. He opened his first store in Arkansas with a simple idea: give customers low prices and treat them well, and the business will grow. Over the decades that idea became Walmart, the largest retailer in the world, and Walton built one of the greatest fortunes in American history. But he also understood that success alone did not secure a legacy. He knew estate taxes could undo in a single generation what had taken him a lifetime to build.

Walton’s solution was disciplined. He relied on Grantor Retained Annuity Trusts, or GRATs. A single GRAT was modest in scope: he would transfer shares of Walmart stock into the trust, receive fixed annuity payments back, and if the stock appreciated faster than the IRS’s assumed rate of return, the remainder would pass to his heirs free of estate tax. The true power came from repetition. Walton created GRAT after GRAT, each one small on its own but transformative in the aggregate.

Not every trust produced dramatic results, but those funded during temporary declines in Walmart’s stock shifted enormous value out of Walton’s estate when the shares recovered. Over time, this steady cadence turned estate tax from an existential threat into a manageable cost. Just as Apollo 13’s crew returned to Earth not through one dramatic maneuver but through a series of carefully sequenced steps, Walton “worked the problem” incrementally until the outcome was secure.

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The One Big Beautiful Bill Act of 2025 did not eliminate GRATs. Higher interest rates and volatile markets make them appear less certain, but in practice those very conditions can create opportunity. Families who fund GRATs with assets positioned for growth, and who repeat the strategy with discipline, may still convert volatility into tax-free transfers. The Walton approach remains a model for how quiet, persistent execution can build dynastic results.

The Legacy Builder

Jacqueline Kennedy Onassis lived her life in the public eye, but she approached her estate with understated precision. Before she died in 1994, she knew her estate would face significant taxes and the challenge common to wealthy families: how to preserve assets for heirs while shaping a meaningful legacy.

Her solution was a charitable lead annuity trust, or CLAT. The trust directed a fixed annuity stream to charity for a set term, generating a substantial estate tax deduction. At the end of that term, the remaining assets passed to her children. The design converted tax liability into charitable support while delaying and reducing the cost of the ultimate transfer.

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What made her plan remarkable was not the novelty of the tool but the intentionality of the design. She aligned her wealth with her values, ensuring that philanthropy, family, and efficiency worked together. In the spirit of Apollo 13's engineers, the CLAT showed that limitations, when met with focused resolve, can become sources of strength. Today, the relevance of that lesson is sharper than ever. Under the One Big Beautiful Bill Act of 2025, higher Section 7520 rates increase the value of the charitable annuity stream, making CLATs more favorable. Families who pursue this strategy must ensure that the investment portfolio is managed at the highest professional standard. With disciplined oversight, a CLAT may deliver both philanthropic impact and multigenerational tax efficiency, echoing Onassis's example of turning an obligation into a legacy.

The Enterprise Aligned

Paul Newman was already a legend on screen when he turned his attention to food. What began as a hobby, bottling his homemade salad dressing for friends, grew into Newman's Own, a company that became both commercially successful and culturally distinctive. But success created a problem. IRS rules at the time prohibited private foundations from owning more than twenty percent of a business. Without a solution, Newman's philanthropic model would have forced a sale and severed the company from its mission of permanent giving.

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Newman worked the problem. He structured Newman's Own so that all profits flowed directly to Newman's Own Foundation, making philanthropy the perpetual beneficiary of his enterprise. The IRS challenged the arrangement, and Congress eventually intervened. In 2015 Congress passed what is now called the "Newman's Own Exception," allowing a private foundation to own one hundred percent of a business, but only under strict conditions. With that change, what once seemed a dead end became a lasting engine of philanthropy.

The lesson for families today is clear. The alignment of enterprise and mission cannot rest on goodwill or improvisation; it demands intentional design, formal oversight, and professional governance. Done well, it enables families to preserve continuity, minimize estate inclusion, and reinforce reputation, while creating a charitable vehicle that endures across generations. Just as Apollo 13's engineers turned constraint into survival, Newman's solution turned regulation into resilience.

The Professionalizers

The Lender family built their fortune in bagels and eventually sold the business. What remained was capital, spread across trusts, partnerships, and investments that required professional management. Many wealthy families in similar situations managed their wealth informally, paying advisors and accountants without a unifying structure. The Lenders chose a different path. They created a family management company organized as an LLC, professionally staffed, and bound by formal agreements with family trusts and partnerships.

When the IRS challenged the arrangement, the case reached the Tax Court in *Lender Management, LLC v. Commissioner*, T.C. Memo 2017-246. The Court confirmed that the family's structure qualified as a trade or business under Section 162. That ruling validated what their design had already demonstrated: managing family wealth, when done with substance and rigor, could generate deductible business expenses.

Later that same year, the Tax Cuts and Jobs Act of 2017 eliminated the deductibility of most investment management expenses for individuals and trusts. Families that had continued with informal structures lost a valuable tax benefit. The Lenders, by contrast, had already professionalized and secured a model that not only reduced taxes but also created governance built to endure.

The lesson extends beyond tax. A professional family office introduces accountability, continuity, and the separation of family relationships from financial operations. Just as Apollo 13's engineers guided the mission home by breaking down complexity into solvable pieces, the Lenders ensured that wealth itself was treated as an enterprise. Their example reminds us that professional governance is not a luxury; it is one of the most powerful tools families can use to preserve both capital and cohesion across generations.

The Window

History reminds us that even the largest systems can falter. Apollo 13 was nearly lost despite the best technology and resources of its time.

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Lehman Brothers had endured for more than 150 years, yet it collapsed in a matter of weeks during the 2008 financial crisis. In wealth planning, the same risk applies. While high exemptions, GRATs, CLATs, valuation discounts, and family offices remain available today, none is guaranteed to withstand the next round of reforms.

The lesson is not to predict the future but to work the problem. Sam Walton did not wait for clarity - he repeated GRATs until estate tax risk was contained. Jacqueline Onassis did not let constraints dictate her plan-she used a CLAT to turn liability into legacy. Paul Newman did not surrender when IRS rules threatened his design-he aligned enterprise and philanthropy in a way that endures to this day. The Lenders did not accept the loss of deductibility-they professionalized, building a structure that still serves them. Each confronted uncertainty, and each achieved permanence by solving the problem directly before them.

Today's families have the same choice. The One Big Beautiful Bill Act of 2025 has created an environment that appears stable, but history teaches us that stability is temporary. The window is open to build systems that endure: GRATs funded with assets positioned for growth, CLATs that combine philanthropy and efficiency, governance structures that professionalize capital, and philanthropy that aligns with mission.

Apollo 13's crew survived because they narrowed their focus, designed solutions with what they had, and executed relentlessly. Firefly Aerospace reached the Moon with the same discipline on a fraction of NASA's resources. Families who bring that same mindset to wealth planning will find that, in time, their results may appear just as inevitable. As our investment team recently observed, "Markets will shift and tax law will evolve, but enduring families are the ones who design with intent and manage with discipline over time."

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