WHITEPAPER

Trusts, Estates, and the Need for Adaptive Compliance

The regulatory landscape around trusts and estates is more unsettled than it may appear. It requires wealth managers and fiduciaries to avoid complacency and adopt a proactive compliance posture to stay ahead of change scenarios.

For wealth managers who oversee client trusts and estate plans, today's regulatory environment is one of glaring contradiction as the appearance of stability masks deep structural uncertainty. The language of "permanence" seemingly codified into recent law is, in fact, illusory. Wealth managers who believe the landscape is settled risk compliance lapses and missed opportunities for clients.

In recent years, wealth managers have witnessed several major regulatory shifts governing trusts and estates. Public Law No. 119-21, commonly known as the One Big Beautiful Bill Act (OBBBA), has seemingly clarified federal tax policy on gifts and exemptions – for now.[1] Meanwhile, a court has scrapped the Department of Labor's fiduciary rule for a second time, but a replacement is potentially forthcoming. And beneficial ownership reporting rules, intended to thwart money laundering, have been revamped and challenged in court, but remain in flux.

At a time when regulatory clarity is temporary, and change is likely if not inevitable, a reactive compliance posture—one of waiting for the final rules to be written—will create significant compliance exposure. Wealth management firms and trust companies need to develop a proactive, forward-looking compliance framework that can readily adapt to regulatory change, rather than scrambling to stay one step ahead of regulations and court rulings.

The organizations best positioned for regulatory change are those preparing before it arrives.

Navigating the New Regulatory Reality

Let's break down recent regulatory developments to better understand their impact on trust and estate clients and their implications for wealth managers.

Estate Tax Stability: Will it Last?

The OBBBA made permanent the estate tax exemptions first enacted under the 2017 Tax Cuts and Jobs Act (TCJA). The threshold is now set at $15 million per individual, $30 million for married couples, effective January 1, 2026, and indexed for inflation. This replaces the former $5 million baseline. And unlike the TCJA, the OBBBA does not include a sunset provision that would cause the estate tax exemptions to expire.

While this would appear favorable to wealthy individuals, wealth managers need to be cautious of plan obsolescence. Many trusts drawn up under the old rules may contain clauses calibrated to the lower exemption. The new thresholds tend to favor structures such as dynasty trusts, Spousal Lifetime Access Trusts, or irrevocable trusts for generation-skipping transfers (GST).[2] Conversely, bypass trusts containing credit shelter clauses may no longer provide transfer tax benefits.

Wealth managers need to audit existing plans or risk perpetuating strategies that may now run counter to their clients' best interests.

Another note of caution is state-level exposure. Clients living in any of the 17 states and jurisdictions that currently impose an estate tax, inheritance tax, or both will still need planning to minimize state-level liability, even if they are comfortably below the $15 million federal threshold.

Perhaps the greatest concern, however, is that the exemptions are only "permanent" until a new Congress decides to revisit and repeal this and any other OBBBA provisions.[3] Wealth managers should not assume their clients have unlimited time to plan. They should take advantage of the current window to implement prudent taxable gift-planning and estate-tax-reduction strategies before a potential future change. As a standard practice, estate plan documents should be reviewed not only against the current exemption structure but also any time the political climate shifts.

Beneficial Ownership and Anti-Money Laundering Rules: Courts Weigh In

The US Treasury Department's Financial Crimes Enforcement Network (FinCEN) has implemented several changes to anti-money laundering (AML) and know-your-customer (KYC) rules under the Corporate Transparency Act (CTA) that impact trusts, particularly those that hold business entities with complex ownership structures.

Among other changes, FinCEN has streamlined customer due diligence rules. As of February 2026, financial institutions must verify beneficial owners only at initial onboarding and when risk-based procedures require it, rather than at every new account opening.[4] However, wealth managers who administer trusts are still expected to maintain robust beneficial ownership information (BOI) verification workflows, monitor clients, and document changes to information. Firms may face sanctions for failing to report any material BOI discrepancies that appear after the initial reporting.

Meanwhile, FinCEN's Residential Real Estate Transfers Rule, which requires ownership reporting for certain cash transactions in real estate, is in a state of flux. As of March 2026, "reporting persons" (typically the closing or settlement agent or title recorder) would have been required to file a report with FinCEN for non-financed transfers of residential property into a legal entity or trust. However, a federal district court in Texas vacated the rule shortly after it took effect.[5]

Importantly, the rule has only been "set aside" and not withdrawn completely. The question is not whether, but when the reporting obligation will take effect. For clients who use trust entities for real estate transactions, wealth managers need to maintain their CTA compliance workflows and be prepared to disclose BOI as part of the reporting process.

Changes to the beneficial ownership reporting requirement for small entities, including trusts, are also before the courts. Following a constitutional challenge to the requirement, FinCEN issued an interim rule in March 2025, exempting all entities created in the United States from BOI reporting requirements, and narrowed the requirement to apply only to foreign entities registered to do business in the US. The rule, however, is explicitly interim. A court has since reaffirmed FinCEN's constitutional right to require BOI reporting from domestic entities, and the requirement could well be reinstated in the future.[6]

All this judicial back-and-forth simply underscores the reality that interim relief cannot be treated as a permanent exemption. Wealth managers cannot assume that these issues have been resolved.

The DOL Fiduciary Standard: Persistent Uncertainty

The Department of Labor's Retirement Security Rule — which would have required financial professionals to meet a fiduciary standard when advising on retirement accounts, including IRA rollovers and annuities — was finalized in April 2024, but blocked by two federal courts before it could take effect. By November 2025, the government stopped defending it. In March 2026, the DOL filed a motion to formally vacate the rule. In the meantime, the DOL officially reinstated the five-part test to define who is a fiduciary under the Employee Retirement Income Security Act of 1974 (ERISA).[7]

This, however, is not the end of the regulatory cycle. The DOL's regulatory agenda indicates that a replacement rule is under consideration and may be proposed sometime in 2026.[8] Moreover, in March 2026, the DOL proposed a new rule regarding fiduciary duties, specifically focused on alternative investments in 401(k) plans. The history here is instructive: this is the second time a fiduciary rule has been vacated — a 2016 rule was struck down in 2018. The pattern of proposal, legal challenge, and blockage has become a defining feature of the regulatory landscape.

With or without the Retirement Security Rule, wealth managers who render retirement advice that clients rely on for investment decisions remain fiduciaries under existing law. The absence of regulation does not eliminate the risk of liability or litigation if a client believes the fiduciary duty has been breached. It is essential for firms to maintain conflict-of-interest documentation, compensation disclosure processes, and best-interest analysis protocols that can withstand regulatory scrutiny. Firms that do so will be better prepared when the new retirement security regulation takes effect.

Regulatory interpretations, court rulings, and legislative priorities continue to shift, requiring ongoing vigilance rather than one-time compliance efforts.

Not the Time to "Set and Forget"

Between Congress, the courts, and the shifting priorities of administrations, important regulatory issues affecting trusts and estates are far from settled and are likely to remain unsettled for the foreseeable future. In such a dynamic environment, a static approach to compliance is simply not viable. Firms that build their compliance processes and workflows to meet current requirements may find themselves in a constant reactive, rebuilding mode as regulations change. Or worse, they risk running afoul of regulators for failure to stay up to date.

Building an Adaptive Compliance Framework

A proactive compliance posture in this environment is not one that simply stays current, but one built around an adaptive architecture that can absorb regulatory change without requiring reactive overhaul. The structural components of an adaptive framework includes:

Systematic Regulatory Monitoring

A proactive firm maintains a regulatory calendar, assigns ownership for monitoring each track, and conducts pre-implementation readiness reviews before enforcement deadlines, with structured response protocols based on different scenarios.

Documentation and Audit Trails

In anticipation of change, firms will determine which records need to be maintained and establish retention policies. This is especially important for demonstrating fulfillment of fiduciary obligations and the efficacy of AML/KYC controls.

Workflow Integration

Firms should define how compliance triggers (for example, a new BOI standard or a change in state estate tax thresholds) flow through to client-specific action items. Workflow changes should be mapped out in advance based on anticipated changes, rather than being designed from scratch.

Technology Requirements

The rapid pace of change means that technology is now essential for effective compliance. Firms need systems that track regulatory requirements across jurisdictions, monitor activity in real time, and generate audit-ready documentation to support fiduciary accountability. Data required for regulatory and client reporting needs to be readily accessible. In particular, firms need a flexible infrastructure that allows compliance workflows and processes to be adjusted quickly and easily as requirements change.

Regulations are constantly in flux. While the general direction is clear in the near term, the ultimate destination remains undefined. Firms that wait for final rules before building a responsive compliance infrastructure will consistently find themselves behind. Those that build durable compliance frameworks that can adapt to the next iteration of each rule will be better positioned to navigate change on behalf of their clients while reducing their own risks. Adaptive compliance is not merely defensive, but a competitive differentiator and driver of client trust.

How Black Diamond Supports Adaptive Compliance

SS&C Black Diamond® Wealth Solutions caters to the dynamic needs of wealth management firms and trust companies. It equips wealth managers with the tools they need to provide a contemporary, unified client experience while enhancing operational efficiency and scalability. Whether you're serving ultra-high-net-worth families, managing fiduciary responsibilities, or broadening your service portfolio, Black Diamond is your all-in-one solution.

Black Diamond helps build an adaptive trust and estate compliance strategy through:

- **Flexible, Cloud-Based Infrastructure:** Designed to support rapid workflow adaptation in response to changing compliance and reporting requirements.
- **Unified Investment and Trust Administration:** Enables the management of trusts, estates, foundations, and donor-advised funds (DAFs) alongside traditional investment accounts, all within a unified system that supports both investment management and fiduciary oversight. Automated data flows and back-office connectivity power accurate account, transaction, and position reporting, streamlining operations and ensuring data integrity.
- **Visibility into Trusts and Multi-Generational Estate Plans:** Customizable dashboards and reporting tools enable wealth managers and trust officers to accelerate the audit and analysis of trust and estate documents to identify opportunities and risks relative to tax exemption rules.
- **Integrated Regulatory Technology:** Supports proactive surveillance of wealth managers, client accounts, and transactions. Additional features include the support of AML/KYC monitoring and investment suitability documentation.
- **Investment Management and CRM Connectivity:** CRM functionality provide comprehensive profiles of each client and household, delivering insights for trust and estate planning and investment suitability, while supporting KYC documentation.

For More Information

To learn how SS&C Black Diamond Wealth Solutions can support your unique business, please call 1-800-727-0605, email info@sscblackdiamond.com, or visit sscblackdiamond.com.

1. H.R. 1, 119th Cong. (2025), One Big Beautiful Bill Act (enacted as Pub. L. No. 119-21), https://www.congress.gov/bill/119th-congress/house-bill/1
2. Big Beautiful Bill: What Estate-Planning Steps Make Sense Now? WealthManagement.com, July 9, 2025
3. Estate Tax Alert: New $15 Million Federal Exemption Becomes Law; Morgan Lewis, August 21, 2025
4. FinCEN streamlines CDD requirements, reducing compliance burden for covered financial institutions, Davis Polk, February 19, 2026
5. Federal Court Vacates FinCEN Residential Real Estate Reporting Rule, Foley & Lardner LLP, March 23, 2026
6. Latest Corporate Transparency Act Guidance: Eleventh Circuit Decision Affirms CTA Constitutionality; Domestic Exemption in Place; State Rules Still Apply, Procopio, December 19, 2025
7. Five-Part Fiduciary Test Is Back: Update Financial Advisory Agreements Now, Erisa Benefits Law, March 25, 2026
8. A Clearer Picture of the DOL's Agenda, American Society of Pension Professionals & Actuaries (ASPPA), December 19, 2025