

# A New Era in California Estate Planning: Key Legal Changes Taking Effect in 2026

**A transitional moment for California families**



California is entering a period of significant change in trusts and estates law. Over the next two years, attorneys will face new guardianship procedures, the reinstatement of Medi-Cal asset limits, a revised federal tax landscape under expanded exclusion amounts, and a streamlined probate option for modest primary residences. These changes alter how families plan, protect assets and pass wealth across generations.

Practitioners should reassess foundational documents, update internal checklists and re-engage clients whose plans may now be outdated. The year ahead presents both risk and clarity, and attorneys who help clients prepare early will create plans that are resilient, streamlined and aligned with the new legal environment.

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**For a comprehensive overview of California statutory changes in 2026 (including probate notice requirements and other estate-related developments), see CEB's [statutory update page tracking: California's legislative developments](#).**

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## Expanded options for temporary joint guardianship

### New protections for parents facing temporary unavailability

**Assembly Bill 495, the Family Preparedness Plan Act of 2025**, expands California's legal framework for temporary guardianship when a custodial parent is unavailable due to deployment, serious medical condition, incarceration or immigration-related detention.

Under AB 495, courts have discretion to appoint a custodial parent and a nominated person as joint guardians of the minor when the parent will be temporarily unavailable, including confidential treatment of the relevant records.

This framework provides important flexibility for families likely to face sudden caregiving disruptions and offers a statutory basis for triggering clauses in guardianship nominations.

### Practical drafting considerations for attorneys

Estate planners should consider incorporating triggering clauses that identify specific events, such as deployment orders, extended hospitalization or administrative immigration proceedings, as the basis for temporary joint guardianship.

Considerations include:

- Naming a temporary coguardian who can act immediately during periods of unavailability
- Defining clear criteria for when the guardianship begins and ends
- Ensuring consistency in guardianship language across wills, powers of attorney and other documents

These provisions offer families continuity and control when they need it most.



## The 2026 federal estate taxes: higher exclusion, different strategy

### A “permanent” \$15 million exclusion

Beginning Jan. 1, 2026, the federal estate, gift and generation-skipping transfer tax exclusion rises to \$15 million per person and \$30 million for married couples under the One Big Beautiful Bill Act (OBBBA). This significant increase effectively removes federal transfer tax concerns for most California families. (Authoritative IRS guidance and tax professional alerts generally cover this change; see [IRS inflation adjustments for tax year 2026](#).)

### What this means for client conversations

A higher exclusion allows for simpler, more strategic estate planning:

- Most California estates will avoid federal transfer tax.
- Families once concerned about losing exemption amounts may benefit from reassessing irrevocable structures created under older assumptions.
- Annual exclusion gifts, still indexed for inflation, remain useful for distributing wealth over time with minimal administrative burden.

The next several years will be characterized less by urgent use of exemption amounts and more by intentional long-range design.

# The return of Medi-Cal asset limits and the rising importance of special needs trusts

## Asset test reinstatement in 2026

California paused the [Medi-Cal asset test](#) for many long-term care and non-MAGI eligibility categories starting in 2024, but the test will be reinstated on **Jan. 1, 2026**.

Under the new rules:

- The asset limit will be \$130,000 for one person, plus \$65,000 for each additional household member (up to 10 people). For example, a typical two-person household would have a combined limit of \$195,000.

This shift affects clients who are planning for long-term care eligibility and revitalizes key planning strategies around asset protection structures.



## Reassessing plans created during the “no asset test” period

Clients who made transfers or retitled assets from 2024 to 2025 may find their plans affected by the return of the asset test.

Attorneys should review:

- Asset transfers made in 2024 and 2025
- Beneficiary designations that may inadvertently place assets in the name of a beneficiary dependent on Medi-Cal
- Whether special needs trusts or supplemental needs trusts should be added or updated

With asset limits returning, these tools once again play a central role in maintaining eligibility for essential services while preserving family resources.



## Streamlined probate for homes under \$750,000: Relief for some families

### Understanding the April 2025 change

For decedents dying on or after April 1, 2025, California began offering an expedited petition process for transferring a decedent's primary residence valued at \$750,000 or less without full probate. This change comes from AB 2016 and is designed to reduce time and cost for modest estates and foster generational wealth for lower-income families.

### When the new procedure helps and when it doesn't

While this streamlined process can reduce administrative burdens, it does not replace the value of well-structured revocable trusts, where:

- Multiple heirs may dispute distribution.
- A blended family requires clear instructions.
- Privacy or ongoing management is important.
- The client owns real property in addition to a primary residence.

The streamlined succession procedure is a helpful tool, but not a universal substitute for trusts in complex estates.





## Fiduciary suitability and document consistency

### The problem of conflicting fiduciary nominations

Conflicting or outdated fiduciary designations remain a common source of litigation and delay. It is not unusual for clients to have:

- Different executors named across a will, trust and power of attorney
- Nominated agents who are no longer willing or appropriate
- No alternates, or alternates unaware of their responsibilities

These inconsistencies create friction during administration and can invite court intervention.

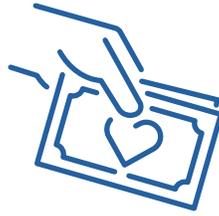
### A modern approach to fiduciary planning

Attorneys should build a fiduciary audit into every plan review by:

- Ensuring all documents present a coherent succession of decision-makers
- Discussing current family dynamics and whether any nominee poses foreseeable challenges
- Confirming that nominees understand expectations and responsibilities

*Clarity in fiduciary selection can prevent disputes, delays and unnecessary expense.*

## New charitable deduction rules in 2026



### A 0.5% AGI floor for itemizers

In 2026, individual itemizers may deduct charitable contributions only to the extent they exceed 0.5% of adjusted gross income and only the amount in excess of the floor is deductible. The highest income earners (those in the 37% tax bracket) limit charitable deductions to 35% of the donation. These changes may influence giving strategies for some donors.

### Above-the-line deduction for nonitemizers

A new above-the-line deduction will permit:

- Up to \$1,000 for individuals, and
- Up to \$2,000 for married couples, in cash charitable gifts for nonitemizers.

### Strategic charitable planning

With a significantly expanded federal exclusion, charitable planning remains a core part of legacy design. Attorneys should consider:

- Whether clients may benefit from “bunching” gifts into certain years
- Coordinating lifetime giving with testamentary bequests
- Updating formula clauses drafted under earlier rules

## Positioning your practice for the 2026 estate planning landscape

These legal changes reshape core aspects of California estate planning, from guardianship and long-term care eligibility to tax strategy and probate administration. Attorneys who prepare now by reviewing existing plans, reassessing client needs and modernizing internal processes will position clients for clarity and stability in a shifting environment.

Stay ahead of the legal changes that will define California estate planning in 2025 and 2026. [Sign up for a free trial](#) to receive ongoing updates, analysis and practical tools for navigating this evolving landscape.



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