

GIFTING STRATEGIES

TO REDUCE THE IMPACT OF ESTATE TAXES



Giving money away is one way to reduce the size of an estate and reduce estate taxes. There are many opportunities to do this, including:

ANNUAL GIFTS TO HEIRS

- Reduces taxable estate
- Gives money to heirs before you pass

LIFETIME GIFTS TO HEIRS

- Reduces taxable estate
- Freezes growth out of the estate

CHARITABLE GIFTS

- Reduces taxable estate
- Estate tax deduction
- Helps others

LIFETIME GIFTS TO IRREVOCABLE TRUSTS

- Removes assets from the estate while still retaining control through provisions
- Can fund life insurance so it's not included in the insured estate
- A possible solution for covering administrative expenses and taxes

CURRENT GIFT TAX GUIDELINES

- Integrated with the estate tax
- Annual gifts of \$18,000 in 2024 or \$19,000 in 2025 per person are allowed free of gift tax
- A married couple can split gift, meaning double the annual gift tax exclusion amount
- This annual exemption does not reduce the lifetime exclusion
- Amounts over the annual exemption can reduce the \$13.61 million in 2024 or the \$13.99 million in 2025 lifetime exclusion
- The gift tax does not apply to transfers to spouses who are not U.S. citizens*

* Spouses that are not citizens are allowed an annual exclusion in 2024 of \$185,000 and in 2025 of \$190,000.



MORE ON IRREVOCABLE TRUSTS

If an irrevocable trust receives taxable income, it is taxed under a different set of rules than typical individual income. Irrevocable trusts generally operate under a separate income tax schedule that is more compressed than the rate used by individual or married taxpayers. Any taxable income (such as a distribution from an IRA) retained in the trust beyond year-end (or the distribution deadline) is generally taxable to the trust, making your selection of investments important.

GIFTING: DEVELOP A PROCESS

When it comes to controlling the distribution of assets, it helps to work with your financial professional to develop a strategy or process to do so. Here are some best practices to talk over with your financial professional:

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| Discuss trust taxation with trustees | Identify assets entitled to a step-up in cost basis | Talk over charitable inclinations |
| Identify income in respect of a decedent (IRD) assets (income due but not paid yet) | Discuss post-death distribution options with beneficiaries | Consider gifting opportunities |

Talk to your tax and legal professionals regarding your particular situation and your specific estate tax objectives.

**When it comes to preparing for your future,
there's no time like the present.**

Let's get started today.

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