

SAVVY STRATEGIES FOR YEAR-END GIFTING.... AND WHY IT IS STILL A GOOD IDEA

With the holiday season upon us, giving is top of mind. For individuals with a high net worth, making financial gifts to loved ones remains a smart and savvy estate planning strategy. As 2017 quickly comes to a close, now is the time to make sure your clients consider the benefits of gift-giving.

THE BASICS

- **A Tried-and-True Strategy.** Even with the uncertainty today surrounding potential changes in the estate tax laws, annual gifting remains a tried-and-true way to reduce the size of a client's taxable estate. It allows high net worth individuals to pass assets to their loved ones now in a tax-efficient manner, with the effect of reducing the amount of estate tax that may ultimately be payable and maximizing the overall amount that may be passed to their loved ones. Making lifetime gifts also offers donors the opportunity to watch those who mean the most to them enjoy and appreciate their gifts.
- **The Annual Gift Tax Exclusion.** In 2017, every person can gift \$14,000 to as many individuals as he or she wishes, without paying any gift tax or using any of their \$5.49 million lifetime gift and estate tax exemption. Married couples can jointly gift up to \$28,000 to each beneficiary. This annual gifting limit amount will increase to \$15,000 for 2018.

WHAT YOUR CLIENTS SHOULD KNOW

- **Timing is everything.** With the clock ticking on 2017, now is the time to advise clients to consider making financial gifts and coach them on the best way to make the desired gifts. All 2017 gifts should be made and checks cashed by December 31, 2017.
- **There are several ways to give.** While the most common method is through outright cash gifts made directly to loved ones, clients may wish to transfer funds in other ways.
 1. Irrevocable trusts can be a good option for those wishing to make gifts to minor beneficiaries or to keep the gifted assets protected from potential creditors of the beneficiary. By creating an irrevocable trust, the donor may set the terms for how and when money will be distributed to the beneficiary and can provide a nest egg for the child to draw upon when he or she reaches a certain age.
 2. If the focus is providing funds to cover college expenses, funding a "529 plan" can be an excellent way to provide financial assistance for future educational expenses. An individual can give \$14,000 and couples \$28,000 to a 529 plan each year or can front-load the plan with five years of contributions at one time.
 3. Direct donations to an educational institution or medical facility can be made by the donor on behalf of the beneficiary to pay for school tuitions or health care costs.

- **Cumulative gifting is a powerful tool.** Individuals taking advantage of the annual gift tax exclusion by gifting assets to family members year after year can significantly reduce their taxable estate over time, provide financial assistance for their heirs when they need it most, and enjoy watching those gifts make a difference in the lives of those they love.

For those clients fortunate enough to have a large financial legacy to pass on to their children and grandchildren, proper estate planning should consider annual gifting, and what better time to make such a gift than at the holidays.



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