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HAVE YOU PERFORMED YOUR ANNUAL GIFTING YET?

It's that time of year again; the time to start thinking about whether you have exhausted the annual tax savings portion of your estate plan. As I have written about in many of my previous columns and spoken about at my seminars, one of the best tools of Estate planning is the benefit of gifting. This is due to the annual exclusion provided by your favorite taxing authority.

Unfortunately, so many people are unaware of the gifting exclusions (tax free gifts) allowed by the IRS each and every year! In a nutshell, the IRS allows you to make certain financial "gifts" annually without facing a gift tax, which can be pretty darn steep.

Although the amount of the exclusion changes annually, (usually increasing) every individual and married couple enjoy(s) this opportunity. For 2020, the gift tax exclusion is \$15,000.00 per individual and \$30,000.00 per married couple. What does this mean? Well, for the remainder of this year, you are entitled to gift away up to \$15,000.00 to any number of donees, regardless of their relationship to you, and married couples can double that amount to \$30,000.00. All without paying a dime of tax.

At this point you're probably asking, "How does this help me"? How can giving my money away possibly be good for me? Well, there are a variety of reasons. The best reason is to lower the value of your estate for estate tax purposes, especially if you are older. If you know that you are planning on giving your estate to specific people or organizations upon your death, you can start giving to them now, instead. They're going to receive the asset anyway, so if you gift it in annual portions, you will lower the value of your taxable estate leaving more to your family, friends and charities instead of paying more in taxes.

Here's an example. Let's say Ann & Bob, a married couple with an estate valued at \$300,000.00, have three children, are involved in a variety of community charitable organizations and have lots of friends in need. All of these people and organizations would be beneficiaries of their estates upon their death. If Ann & Bob are beyond retirement age and feel that they can live on half the value of their estate, they can make five gifts of \$30,000.00 this year to each of their three kids, one friend and a charity. The money would be a tax-free transfer, and their estate value is now cut in half, which means less estate taxes paid at death and more of the estate flowing to loved ones.

Take it one step further. Let's say they have a multimillion-dollar estate. Regardless of their ages, they would be utilizing a great estate planning tool if they

gifted a significant portion every year using that same formula. There are also a variety of ways in which you could make the gifts and still control the use of the funds, especially gifts to minors.

In addition to the annual exclusion of \$15,000.00, every person has lifetime gift tax exclusion, currently capped at \$11.58 million dollars. This means that you can gift more than the \$15,000.00 and the overage won't be taxed either if you put it towards your lifetime exclusion. (The \$15,000.00 doesn't count towards the lifetime exclusion.)

Gifting for tax savings purposes can be tricky, but it's not difficult to understand. Obviously, the IRS has some rules, which apply to gifts that aren't cash based such as interests in businesses, etc. Therefore, you should visit your attorney or accountant before starting this type of estate planning. However, the benefits to the estate are outstanding. So don't let the year expire without considering this tax savings option.

Anthony J. Medico, Esq., has practiced law for over 27 years. To ask a question regarding this article, send an e-mail to info@medicoandassociates.com or call us at (203) 661-8151. To read more highly informative Estate Planning articles, visit our website at www.medicoandassociates.com, where you can also download our free Estate Planning Survival Guide. Enjoy.

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