

Making Annual \$15,000 Gifts

What is the simplest estate planning tool around? Gifting! Make substantial annual gifts now while you can control the funds with flexibility. Reap the benefits and fun of being with your heirs and others as they enjoy your generosity.

In 2020, anyone can make a gift of up to \$15,000 to anyone, with no income or gift taxes. This limit was raised from \$14,000 a few years ago and is scheduled to be adjusted for inflation in the future. The recipients do not have to be non-profit organizations. Many individuals make gifts to children or grandchildren, but a relationship is not a requirement.

Making annual gifts can serve many purposes:

- You can see the person receiving your gift use and enjoy it.
- When you make the gift, that amount comes out of your ultimate taxable estate. Depending on the size of your estate, it may be subject to tax rates as high as 40%.
- Transferring assets with annual gifts, instead of through your estate at the time of death, also removes any growth in the value of the assets from your taxable estate. Again, this can save substantial estate taxes.

Let us look at a case. Suppose you are 55 and are lucky enough to have plenty of money to live on for the rest of your life. Will a return of 5% on your total estate be more than enough for your daily needs, including other current income? Then perhaps you are ready to take advantage of this benefit. You have saved diligently. You have invested well. Now it is time to reward yourself.

See the fruits of your labors being enjoyed now, as you stave off the "tax man." How does it work? Simple! Write a check (or re-title a stock or bond holding) worth up to \$15,000 annually to as many individuals as you would like. In fact, couples can gift \$30,000 together to each recipient annually ... and the number of recipients is limited only by your means and desires.

If you want to give even more, and, of course, want to do it without affecting anyone's tax situation, consider paying tuition directly to your heir's educational institution. These amounts do not count against the annual \$15,000 limit. What a great back-to-school or graduation gift!

Be aware that these gifts need an informational report to the Internal Revenue Service. You cannot go back and use this annual benefit if you forgot to do it last year. So, plan well. Remember, before year's end, to take advantage of this most simple estate planning tool.