



09.14.22 | CLIENT RESOURCES, INSIGHTS

Benefits of Lifetime Gifting

Becky Aardal - CERTIFIED FINANCIAL PLANNER™

As we enter the final quarter of the year, we begin to think about year-end tax and estate planning. Is there anything that needs to be done prior to year-end to improve or change your tax situation? As we consider this question, let's discuss the benefits of annual lifetime gifting to friends or loved ones.

One of the easiest tax and estate planning strategies that is often overlooked, is to establish an annual gifting strategy. In 2022 you can gift \$16,000 per single taxpayer or \$32,000 per married couple. Gifts to the recipients are tax free, however, the recipient will assume the cost basis of the appreciated asset.

There are several reasons to consider establishing an annual gifting strategy both for yourself and for the recipient:

- If you have a large estate, consider gifting during your lifetime as a strategy to help reduce estate taxes.
- You can gift appreciated assets to remove those assets from your portfolio. (This can be accomplished through charitable gifting as well.)
- You will receive the personal satisfaction of allowing the recipient to enjoy the gifted property during your lifetime. You may see the recipients improve their own lives, learn financial responsibility or discover philanthropy using their own funds.
- Gifts are at your discretion. If it is a good year in the market and you have extra cash flow, you can make as many gifts as you would like up to the 2022 limit per single tax payer or married couple. If it is a bad year or you have no desire to make a gift then you do not have to.
- You can also make unlimited gifts directly to medical institutions or education tax free. If you choose this option, then the gift doesn't go directly to the recipient but instead to the institution for the benefit of the recipient.
- Finally, annual gifts less than or equal to the annual gifting amount do not count against the lifetime estate and gift tax exclusion.

Services

Financial Planning

Investment Management

Related Team Members

Jeff Schaefer

Becky Aardal

Lowell Hansen

Kirsten Hollander

Jerome Perkins

Andrea Searle

Henry Schaefer

Dawn Johnson

Rachel Powell

While annual gifting certainly has its pros, it might not be for everyone. The primary consideration when it comes to annual gifting pertains to your own personal goals and retirement objectives. Are you leaving yourself with enough to fulfill your lifestyle needs? Another consideration is that gifting appreciated assets means that the recipient has the potential to incur substantial capital gains. Will that play into what assets you will gift? Finally, as with everything, tax laws are not permanent and are subject to change so make sure to consult with your tax planning professional before gifting.