

In consideration of a living inheritance

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When parents are in the financial position to give money or assets to their adult children, there are benefits for the donor and the child.

Rather than a parent holding on to wealth until after death, gifting allows them to share it with heirs when they likely need it most. At the same time, this decision can reduce the tax liability on an estate transfer at death.

The beneficiaries of such gifting are generally in their 40s and typically experiencing their most financially challenging decade. They often have children of their own who are in high school or entering college. Other financial obligations typically include a hefty home mortgage, medical costs

associated with middle age and the challenges associated with their own inevitable retirement.

For wealthy, retirement-aged people, it is easy to acknowledge that their adult children and vicariously, their grandchildren, will likely benefit more from gifting at this stage of life rather than waiting until the event of death, at which point the adult children are generally more self-sufficient.

For those transferring wealth to the next generation, holding on to a larger estate flies in the face of limiting the tax liability. For example, upon death in 2017, estates worth more than \$5,490,000 are taxed at 40 percent (for married couples, \$10.98 million).

Gifting, or transferring either money or assets to someone else without receiving something of equal value in return, is available in various forms, including pre-loading college 529 accounts. Additionally, paying for medical, dental and tuition expenses do not count toward gifting limits as long as the provider is paid directly.

An individual may transfer assets to anyone free of gift tax in the amount of \$14,000 per year. In this case, a married couple may gift up to \$28,000 per individual. For a couple with two married children and four grandchildren, that would total \$224,000.

There are numerous exceptions to the general rules of gift and estate taxation, which can be easily explained by your tax and/or estate planning attorney.

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