

A GUIDE TO Navigating Retirement

MAY 2024 NEWSLETTER

In 2024, the “annual exclusion” for gifts is \$18,000 (\$1,000 more than in 2023). *Many taxpayers incorrectly think that a gift to their children in excess of \$18,000 will trigger a federal gift tax.*

Under current tax law, you can gift an unlimited dollar amount to your spouse or to charity without tax liability. Gifts to non-spouse individuals might be taxable but benefit from both annual and lifetime exclusions.

Let’s assume you are unmarried and you gift your child \$100,000—\$82,000 in excess of the \$18,000 annual exclusion.

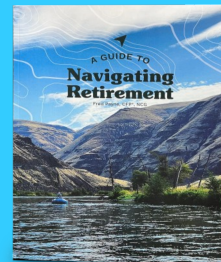
- The \$82,000 “excess gift” simply reduces your lifetime gift and estate tax exclusion by that amount. The lifetime exclusion in 2024 is \$13.61 million. (Barring legislative changes, the current lifetime exclusion will reset in 2026 to an estimated \$6.4 million.) If the dollar value of all your excess gifts (to include those of prior years) is less than the lifetime exclusion, **no** federal taxes are due for this \$100,000 gift.
- Assuming you are not married at the time of your death, federal gift or estate taxes are **not** owed if the value of your estate plus all excess gifts is less than the then current year’s lifetime exclusion. Unless the value of your estate exceeds the lifetime exclusion, you will probably not pay a federal gift or estate tax!
- Federal gift and estate taxes need not apply at the first death of a married couple. Married couples can each gift a child \$18,000 annually (for a total of \$36,000) and have double the lifetime exclusion (\$27.22 million in 2024 and \$12.8 in 2026).
- A gift in excess of the annual exclusion requires you to file IRS Form 709 solely to keep track of the reduction in your lifetime exclusion.
- Some states do not have estate or gift taxes, or their exclusion limits are lower than the federal amounts. Also, annual gifts might not reduce the dollar amount of the state’s lifetime exclusion.

Gift and estate tax laws are nuanced. Call Fred and he can confirm the potential for your gift and estate tax liability.

Should you be making gifts to charity and family during your lifetime? One reason for lifetime giving is that the recipients of your gifts—particularly children who might want to buy houses and grandchildren struggling to afford college—often need the money now rather than as an inheritance in (hopefully) many years. A second reason is that you are alive to see the benefits of your largesse. And you might reduce income and estate taxes—particularly state taxes.

The decision to make lifetime gifts depends in part on how great your wealth is and in what form your wealth takes, e.g., real estate, IRAs, appreciated stock, etc. **Do not gift while living if it would compromise your ability to have an income throughout your lifetime.**

The very best way to assess your ability to make gifts is to undertake a Cash Flow Study.



Topic #14 in *A Guide to Navigating Retirement* discusses the Cash Flow Study. Ask Fred for a free copy if you need one for yourself or a friend.

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