

Golden Bullets

Private Wealth Financial Partners

**Private Wealth
Financial Partners**
is an affiliate of
Sagemark Consulting

...we help define your
future!

www.PWFPartners.com

Contact Details

Duncan Eng
2105 South Bascom Ave.
Suite 300 Campbell, CA
95008
(O): 408.879.4217
(F): 408.559.1620

Duncan.Eng@lfg.com

Edward C. Rusnak
3000 Executive Parkway
Suite 400
San Ramon, Ca
94583
(O): 925.659.0372
(F): 925.804.2472

Edward.Rusnak@lfg.com

GIFT TAXES:

THINGS TO CONSIDER

Making gifts to family members can be a smart move for some. For example, younger heirs can use inherited wealth now, presumably to take advantage of business or other growth opportunities. Wealth transferred now will usually avoid death taxes at the time of the client's passing. Most kinds of gifts are simpler to make than preparing wills, trusts or other estate planning documents.

However, a gifting strategy also has serious drawbacks. The biggest obstacle for most is the **loss of control**. While giving away assets may provide huge benefits and opportunities for the recipient, the gift maker no longer gets to control and enjoy that wealth.

In addition to the loss of control, there may be serious tax consequences associated with making substantial gifts. Permit me to focus on one such consequence—that **federal gift taxes** may be imposed on a gift transfer.

I have had clients who were under the mistaken impression that gift taxes and income taxes are tied together. The reality is that a person who makes a gift to a family member gets no direct income tax benefit from the transfer—nor does the recipient pay income tax upon receipt of the gift.

It is possible for a gift to generate an **indirect income tax benefit**. Here's an example. Say that Dad has a corporate bond with a face value of \$10,000 that is paying five percent annual interest to the bond owner--\$500 per year. Dad would have to include the bond interest on his income tax return.

If Dad transfers the bond to adult Son, Son is now the owner of the bond—and liable for the tax on the interest Son receives in the future. Son pays no income tax on the receipt of the bond. Dad, by virtue of having given away an income-producing asset, has transferred the asset, income and annual tax liability to Son.

How can a gifting strategy help a high-net-worth person? For those who may be liable for estate taxes, every dollar given away during lifetime reduces the tax exposure at death.

Federal gift tax rules allow a person to give away up to \$16,000 (in 2022) in a calendar year to any other person without having to worry about gift tax consequences. The \$16,000 is referred to as the **annual exclusion**.

Also in 2022, the federal government allows a person to make **total lifetime gifts** in excess of the annual exclusion amount of **up to \$12.06 million**.

I have helped many of my clients implement a plan to make gifts to family members. Some of these were the owners of closely-held businesses, and the strategy not only helped to manage future estate taxes, it also facilitated the transfer of the business at death. In other cases, I helped folks make a **gift of life insurance coverage** to an **irrevocable life insurance trust** so that the death benefit would help to manage estate taxes more efficiently.

Do you have worries about estate taxes? Are you interested in giving away money or other assets to family members while you are alive? Do you have questions about how taxes might affect your family in the event of your death? I can help you think about these issues and implement plans that fit your objectives. Please let me know if you or someone you care about can use my help.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.

This information is designed for informational or educational purposes only. It is not intended as investment advice and is not a recommendation for retirement savings. Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information.

Lincoln does not make representations regarding the accuracy or future updating of any of the links.

- > Edward C. Rusnak and Duncan Eng are registered representatives of Lincoln Financial Advisors Corp
- > “Securities offered through Lincoln Financial Advisors Corp., a broker/dealer. Member SIPC.
- > “Investment advisory services offered through Lincoln Financial Advisors or Sagemark Consulting, a division of Lincoln Financial Advisors Corp., a registered investment advisor.”
- > Insurance offered through Lincoln affiliates and other fine companies.”
- > Michigan. Securities offered through Lincoln Financial Advisors Corp., a broker/dealer (member SIPC) and an insurance agency.
- > California. Insurance offered through Lincoln Marketing and Insurance Agency, LLC and Lincoln Associates Insurance Agency, Inc. and other fine companies.
- > Utah. LFA Insurance Agency. Insurance offered through Lincoln affiliates and other fine companies.
- > Washington. Insurance offered through Lincoln Financial Advisors Corp. and LFA Limited Liability Company.
- > “The content of this material was provided to you by Lincoln Financial Advisors for its representatives and their clients and is for informational purposes only. Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information as it relates to your personal circumstances.”
- > CA License # 0E78894 & # 0B44076
- > CRN-4933464-090222