



LESS NOW OR MORE LATER?

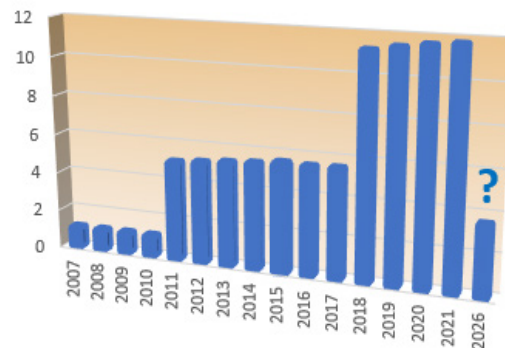
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Taxes, That Is...

In 2024, you can give away more...

- The amount you can give away (gift exemption) without owing any federal gift tax is the highest it has ever been - \$13,610,000.
- However, President Biden campaigned on raising taxes and has proposed to tax the transfer of property as low as \$3,500,000 at a rate of 45%. Even without enacting this proposal, in 2026 the exemption is lowered to \$5,000,000 (indexed).
- President Biden has also proposed to levy a capital gains tax as high as 39.6% (plus 5% NII tax 44.6%) on unrealized appreciation on assets passed at death.
- Therefore, this may be the last year you can pass on so much to whomever you wish and pay nothing in federal gift taxes.

Historic Gift Exemption



Is Gifting For You?

- Do you have assets you can afford to give away now?
- Then you can benefit from this estate tax reduction strategy.

Why Gift as part of an estate plan?

- The gift and the growth on the gifted assets are outside of your estate.
- The larger your gift today the more you can shelter from taxes because of the larger federal exemption amount available today.
- Result: More passes to the people you want, and you pay less in federal taxes.
- But, what kind of asset should you gift?

		No Gift	Gift of \$5M	Gift of \$10M
2024	Estate Value	\$25,000,000	\$25,000,000	\$25,000,000
	Value of Gifted Assets	0	-5,000,000	-10,000,000
	Remaining Estate	\$25,000,000	\$20,000,000	\$15,000,000
Assets Grow At After-Tax Rate of 5% Until Death In 2036				
2039	Estate Value	\$51,973,204	\$41,578,564	\$31,183,923
	Estate Tax (assumed exemption of \$8,510,000)	\$17,385,282	\$13,463,426	\$13,183,923
	Net Estate	\$34,587,922	\$28,115,138	\$28,114,354
	Value of Gifted Assets	0	\$10,394,641	\$20,789,282
	Total Amount to Heirs	\$34,587,922	\$38,509,779	\$48,903,636

An individual can make gifts today of amounts larger than the future exemption amounts without taxation.

Gifts reduce the size of the estate.

Therefore, the amount taxed in the future is smaller.

Net Result of Gifting: Your heirs receive a larger inheritance.

Bottom Line: The less you gift today the more your taxes may be in the future, and the less your heirs receive.



What are the characteristics of the best assets to gift?

- Assets that are expected to appreciate in value after the date of the gift.
- Assets at the time of the gift transfer have a small gift tax value.
- Assets expected to avoid or minimize income tax – now and in the future – including capital gains tax.
- Assets you are willing to give up ownership.

Life Insurance has all these characteristics...

- It has a predicable death benefit value that is greater than the premiums paid - not subject to fluctuations of the market.
- Premiums can be structured to avoid or minimize gift tax.
- Death proceeds can be structured to be estate and income tax-free – avoiding capital gains tax that may otherwise apply to appreciation on other assets.
- Life insurance is an asset most individuals are willing to give up ownership.

...plus, it can be used to equalize inheritances or provide liquidity to pay taxes or other obligations due at death.

		No Gift	Gift of \$5M	Ins. Purchased
2024	Estate Value	\$25,000,000	\$25,000,000	\$25,000,000
	Value of Gifted Assets	0	-5,000,000	-5,000,000
	Remaining Estate	\$25,000,000	\$20,000,000	\$20,000,000
	Life Insurance	N/A	N/A	\$7,500,000
Assets Grow At After-Tax Rate of 5% Until Death In 2036				
2039	Estate Value	\$51,973,204	\$41,578,564	\$41,578,564
	Estate Tax (assumed exemption of \$6,790,000)	\$17,385,282	\$13,463,426	\$13,463,426
	Net Estate	\$34,587,922	\$28,115,138	\$28,115,138
	Value of Gifted Assets	0	\$10,394,641	\$6,818,745
	Life Insurance			\$7,500,000
	Total Amount to Heirs	\$34,587,922	\$38,509,779	\$42,433,883

Trust is established to own the life insurance and the gifted assets. The assets gifted to the trust are used to pay the life insurance premiums of \$157,824 annually and the remaining invested. Face amount of life insurance is equal to the projected estate taxes due on the assets remaining in the estate.

Bottom Line: Adding life insurance provides liquidity to pay taxes and has the potential of leveraging the gift – providing heirs with a larger inheritance.

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