

ASK THE ADVISERS

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.



Singer Wealth

Keith Singer, JD CFP™

Keith Singer

Singer Wealth

2 Locations:

1515 S. Federal Highway, #211,
Boca Raton, FL 33432

20900 NE 30th Avenue,
Suite 600, Aventura, FL 33180

Phone: 561-998-9985

Website: www.singerwealth.com

Email: Keith@singerwealth.com

40% Gift Tax

When you give someone money or property either while you are alive or when you die there is a federal gift tax of up to 40% of the value of the gift subject to the following exceptions. You can make unlimited tax-free gifts to your US citizen spouse, you can give anyone up to \$17,000 per year, and you can directly pay someone's tuition or medical bills without any gift tax. Finally, each person can give up to \$12.92 million away tax-free.

If the value of your assets is below this limit, you may not be concerned about owing any gift taxes on current gifts or estate taxes at your death. However, that \$12.92 million dollar exemption is scheduled to go down to \$6.8 million in 2026. If you are in a position where you have accumulated more wealth than this limit, there may be some advantages to making gifts now instead of waiting until death.

If someone who has a \$30 million net worth lives another 20 years, their net worth could easily double to \$60 million by the time

they leave those assets to their heirs. If the exemption remains at \$6.8 million, and tax rates remain the same, their heirs will owe 40% of \$53.2 million which is \$21.28 million in taxes. However, if they gave \$12.5 million away today to an irrevocable trust for their heirs, their taxable estate would be reduced to \$17.5 million. If the estate doubled to \$35 million and the amount in their irrevocable trust also doubled to \$25 million, the tax bill at their death would be only 40% of \$35 million or \$14 million.

By making the gift now they saved their heirs over \$7 million in taxes because they took advantage of the current larger exemption before the tax break sunsets in 2026. Additionally, all the growth of the gifted assets avoided taxation as well because the assets of the trust were not part of their taxable estate. The bottom line is that there are tax reduction strategies available today which will be going away in 2026.

To receive the weekly email version of Mr. Singer's column, email the word Column to Caitlin@Singerwealth.com.