

Ask the Advisor



What's the best way to give more than just presents this holiday season?

Nora in Weare

If you want to give to family, friends or acquaintances, utilizing the annual gift tax exclusion is a great way to give.

Anyone can give anyone else up to \$12,000 this year without any gift or tax consequences as long as the gift is of immediate use to the recipient with no strings attached.

So if you want to help your grandson buy that new house you can give him \$12,000 plus give his wife another \$12,000 for a total of \$24,000. If your spouse also wants to give, the two of you can each give \$12,000 to both kids for a total of \$48,000.

If you are giving more than \$12,000 as a couple to just one person and the funds are coming from a single name account rather than a joint account, you may need to file a gift tax return – check with your tax advisor.

Also under the annual gift tax exclusion, if you want to help with future education costs but retain some control of the money, consider funding a 529-education savings plan.

As long as the money is used for qualified higher education expenses, the growth and distributions are tax-free. The money is removed from your taxable estate and you retain

control, the beneficiary can't squander the money on fast cars or shopping sprees.

The 529 plan also has the added benefit of allowing you to front load five years worth of annual gifts, \$60,000, into the plan in a single year; some restrictions apply and you will need to wait for the five year clock to run out before making any additional gifts.

Medical and education costs can qualify as exempt gifts and the \$12,000 limit doesn't apply.

Anyone can pay the approved medical or approved higher education costs of anyone else as long as the medical provider or educational institution is paid directly – the check must be made payable to the doctor, hospital, school...

Annual gifting and exempt gifts can be a great way to benefit those you care about while at the same time helping to transition your estate without tax or probate costs.

If you want an immediate tax break, giving to a tax-exempt entity, one that qualifies as a 501(c)(3) tax-exempt public charity, can provide a tax deduction. It can also be a great way for you to support a charity, educational institution or your place of worship. Keep in mind that your place of

worship doesn't necessarily need to file with the IRS as a 501(c)(3) tax-exempt public charity to qualify as a tax-exempt entity.

The 501(c)(3) status alone doesn't guarantee your money will go to good use but it does help insure the viability of the charity.

There are many organizations that now track how much of your donated dollar actually goes to the cause you had in mind.

I was dismayed to give to a well-known national charity last year and over the course of the year, receive an umbrella that didn't work, a t-shirt that didn't fit, a flashlight, a bottle opener, numerous memo pads and countless trinkets that I didn't want or need.

This year I will support the same charity but I will do so at the local level where I can be sure my money goes to good use. Beyond annual gifting, exempt gifts and tax-deductible donations there are numerous ways to give in a more structured and enduring way, from donor advised funds to private foundations.

Giving while you are still alive has many benefits, not the least of which is that you get the pleasure of seeing the recipient benefit from your generosity.

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