

3 strategies for tax-smart giving

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Giving away assets during your life will help reduce the size of your taxable estate, which is beneficial if you have a large estate that could be subject to estate taxes. For 2016, the federal lifetime gift and estate tax exemption is \$5.45 million (\$10.9 million for married couples with proper estate planning strategies in place).

Even if your estate isn't large enough for federal estate taxes to be a concern, don't forget about state estate taxes - for example, NJ has a much lower estate tax exemption of \$675,000. In addition, there are income tax consequences to consider. Furthermore, it's possible the federal estate tax exemption could be reduced or your wealth could increase significantly in the future, and federal estate taxes could become a concern.

That's why, no matter your current net worth, it's important to make gifts wisely. Consider both estate and income tax consequences and the economic aspects of any gifts you'd like to make.

Here are three strategies for tax-smart giving:

1. **To minimize *estate tax*, gift property with the greatest future appreciation potential.** You'll remove that future appreciation from your taxable estate.
2. **To minimize your *beneficiary's income tax*, gift either cash or property that hasn't appreciated significantly while you've owned it.** The beneficiary can sell the property at a minimal income tax cost.
3. **To minimize your *own income tax*, don't gift property that's declined in value.** Instead, consider selling the property so you can take the tax loss. You can then gift the sale proceeds.

For more ideas on tax-smart giving strategies, please contact us.

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