

# Tax Advantages of Lifetime Gifts

## What Are the Potential Advantages of Lifetime Gifts?

The decision to make lifetime gifts should be based on a variety of factors, both tax and non-tax related. For example, a family member may have a real need, or a donor may simply want the pleasure of seeing the gift enjoyed during his or her lifetime. There are also some tangible tax benefits associated with making lifetime gifts, including:

- **Removing future asset appreciation from the estate:** If an asset that is likely to appreciate in value is gifted to someone else, any future appreciation is removed from the donor's estate. If we assume that assets currently valued at \$500,000 are given outright and appreciate at 10% annually...

If Death Occurs in...	1 Year	2 Years	5 Years	10 Years
Appreciated Value of Assets at 10%	\$550,000	\$605,000	\$805,255	\$1,296,871
Original Value	<u>-500,000</u>	<u>-500,000</u>	<u>-500,000</u>	<u>-500,000</u>
Future Asset Appreciation Removed from Estate	\$ 50,000	\$105,000	\$305,255	\$ 796,871

If, for example, the donor dies five years after making this gift, the \$305,255 of appreciation will not be included in his or her estate, which may result in substantial estate tax savings.

- **Income tax savings:** There may be income tax savings realized if income-producing assets are gifted to individuals who are in a lower income tax bracket than the donor.